# Is Fair Trade fair?

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#### **Abstract**

The global market is incredibly interconnected and interdependent. However, massive inequalities in wealth and poverty exist throughout, with the richest 1% gaining 82% of the wealth produced last year, while the poorest 3.7 billion people saw absolutely no wealth increase (Ratcliff, 2018). Fair Trade attempts to address these global issues by increasing demand for "ethical" goods. Fair Trade has become a global endeavour involving over 70 countries. Allowing 1.66 million farmers with global sales to reach 7.88 Billion Euros and in 2015, 138 million Euros were paid in social premiums (an additional payment to producers to use for social goals) (Fairtrade. 2018). Despite this, the FLO admits its payments do not meet a living wage (Fairtrade Canada, 2018). This begs the question: is it possible to create a fairer and more just global system through fair trade certification? Or, is Fair Trade fair? Firstly, what is justice or fairness? Justice is born from relations of communities, concerned with giving people what they deserve (Amartya Sen 2009), based on a platform of fairness. Fairness is a necessary component of justice, it's an equitable structure which justice can be measured (Rawls, 1990; Isbister, 2001). In moral obligation groups, there are principals in attaining justice, equality, freedom and efficiency (Isbister, 2001). Justice is not merely contractual (Wein, 1987), but requires a structure of fairness to measure justice. Fairness requires cooperation and trust. The market derives from social life (Polanyi, 1944, Wood, 1999). Today's global market is defined by economic globalization and neoliberalism, which perceives the market as an amoral ideological mechanism. Although people are not amoral, the market being from social life, has normative repercussions. Fair Trade exists within market forces, which attempts to address global inequalities. However, fair Trade does not adequately provide a structure of fairness, therefore cannot provide justice.

#### Introduction

Economic globalization has incorporated the near entirety of the world. The dominant approach is the neoliberal perspective, which uses profit and capitalist approaches to the market as a means of solving normative issues, of which are issues in establishing, relating to, or deriving from a standard or norm, especially of behaviour (Oxford University Press, 2018). The market is an ideological mechanism, and its amorality is regarded as a benefit. A dollar in the bank is a dollar in the bank no matter how it got there. Of course, like any instrument, it cannot be used outside of the normative dimension, because people are not amoral. The market is practiced by people and is not a separate force that resides outside of social life, but is born out of social life (Polanyi, 1944, p.46). Therefore, the current global understanding of the market as something that is separate from morality is flawed, because it is something made by people out of the normative dimension.

The international community, in which all state exports and imports exist in the global market, is anarchy (Shiraev & Zubok, 2016, p.3). This means that there are no actual structures to perpetuate normative goals and states compete for capital investment. In addition to states, corporations are also a major player in global trade. Corporations are profit driven entities that operate in the international community. They have rights as legal persons however operate outside of any normative structure of accountability (Khoury & Whyte, 2017). Corporations and states make up the wealthiest entities on the planet. The global market is incredibly interconnected and interdependent. Despite this there are massive inequalities and growing wealth disparity throughout the globe with the richest 1% gaining 82% of the wealth produced last year, all while the poorest 3.7 billion people in the world saw no wealth increase at all (Ratcliff, 2018). These are hugely condensed wells of wealth and widespread poverty. It would

be hard to fathom how the results of the global market are just, or fair. In fact it is exactly these inequalities throughout the world that the Fair Trade movement attempts to address.

The Fair Trade model attempts to create a demand in the market for ethically produced goods. Recognizing that the global market is unfair, Fair Trade today is a certification scheme that certifies products that meet a particular standard. Fair Trade goods are more expensive as more money goes towards the costs of production. The largest Fair Trade certifier is Fairtrade international (FLO). They offer a minimum price and a Fair Trade premium to producers. The minimum price acts like a minimum wage, so when the market price dips below the minimum price, the minimum price is paid. In addition to the minimum price Fairtrade international (FLO) gives a fair trade premium. The fair trade premium is additional payment intended to be invested into the community for social goals (Fairtrade international, 2018). The FLO admits itself that its payments do not meet a living wage (Fairtrade Canada, 2018). Nor is the definition of what is "fair" detailed.

Does the Fair Trade model properly address these issues? Does the global market already provide a mechanism for addressing these issues? To answer the question, of whether it is possible to create a more fair and more just global system through fair trade certification? Or in other words, is Fair Trade fair? We must have an understanding of what fairness and justice is as well as the factors that affect the market in which Fair Trade operates.

Fairness and justice has been a topic expressed by philosophers for millennia. It is born out of relations of communities and is concerned with giving people what they deserve. To understand justice I will look at different aspects of what justice entails. I will look at how it operates relationally (Amartya Sen 2009), I will also be looking at how fairness equates to equality and equity and how it relates to justice (Rawls, 1990. Isbister, 2001). In terms of how to

approach justice within structures of moral obligation I will look at three principles outlined by (Isbister, 2001), equality, freedom and efficiency. I will also look at justice being recognized as a contract (Wein 1987). I will also touch on the importance of moral obligation and the important components that make justice. For justice to be approached, it requires a platform of fairness to measure justice from, for fairness to exist it requires cooperation and trust. Trust in the group and in the structure of fairness. Through looking at these components we can assemble a definition and understanding of justice and fairness. This is critical to understanding whether the global market provides a kind of justice or fairness, and furthermore whether the Fair Trade movement is fair.

#### Chapter 1

#### What is Justice?

Justice is concerned with people getting what they deserve. It is a dynamic between a judge and the judged, and therefore is relational. It is also therefore subjective. It is not simply the fulfillment of a rule because that doesn't focus on giving one what is deserved. In this way justice is also different from charity because charity is not related to what is deserved. Justice is not simply an act done to or a people group someone to bring about some kind of action, but is also something that is deserved by a person or a group. Once again, justice is relational and concerned with what people deserve.

Amartya Sens (2009) idea of justice is a critique of "transcendental institutionalism" and argument for a "realization focused comparison". Transcendental institutionalism is trying to find the perfect rules to bring about perfect justice. Sen criticizes this by telling the story of three kids and a flute. The story goes that there are three kids. Anne, Bob and Clara, each who are arguing over who deserves a flute, of which there is only one. Anne explains that she is the only one who knows how to play the flute, therefor she should be the one to get the flute. Bob explains that because he has no toys at all, and both Anne and Clara have lots of toys, that he should be the one to get the flute. Clara argues that because she was the one who made the flute she should be the one to keep it. Sen (2009) Uses this story to emphasize that one could argue impartially for each one to be given the flute.

The point put forward is an argument for "realization focused comparison" (Amartya Sen, 2009). The essence is that justice is relational. It is determined by the group. It is not

something that can be discovered by philosophers, but something that is brought forth from people groups. A collectively taken decision based on the people's sense of justice within the group. Sen emphasizes the importance of democracy (A system of government by the whole population or all the eligible members of a state, typically through elected representatives, or, the practice or principles of social equality.) (Oxford University Press, 2018) as means of bringing forth justice. It is important then, to understand the process that molds social groups that creates justice. It is also important to understand what justice is not.

Note that justice is not charity. Charity is giving one more than what they deserve, such as giving someone a gift. It is not something one is obligated to do, but goes beyond obligation as it has nothing to do with giving someone what they are owed. The difference is like this: suppose someone owed you a hundred dollars from some work you completed. Time passed and no check came. Then, Christmas comes around, and you receive a "bonus" check for one hundred dollars. This would not be charity, because it is what one already deserved. Charity would have been to give more than the hundred deserved. Charity is connoted with not having an obligation to do so. Today, we could call it just to give money to the poor, however since there is no platform of obligation requiring us to do so, we call it charity. There are lots of places however where we would look and call things unjust. This is especially true in the world of global trade where exploitation of people in precarious and vulnerable positions. How is it that justice can be made in these places? In this thesis we are concerned with understanding how justice is made in determining whether or not fair trade is fair.

#### Justice and the Law

In society we put laws in place to perpetuate that society. In a contemporary liberal society laws are meant to be above everyone no matter their position of power, to act as an instrument of justice. People in the society reach out to the law as an instrument for justice. However, justice is not simply a matter of fulfilling rules. These rules are reified structures meant to serve a purpose instrumentally (to achieve justice). They are not justice in and of themselves. Rules can be and have been unjust. For example a law that requires African Americans to sit in the back of the bus would be unjust, as it creates an inequity between people groups based on a superficial reason. Laws serve to perpetuate a community, but also to attain a promise of some kind, for example, the promise of the enlightenment is prosperity. In this way they can be as oppressive as much as they can be platforms for justice, as they are instruments to be used, a platform that can be equitable or inequitable, the point is, is that it's a platform.

### Justice and Volition

It may seem just when people agree to terms under their own volition, their own consent. The idea of 'volunteerism' requires the use or involvement of volunteer labour (Oxford University Press, 2018). Because it requires mutual agreement it may be an improvement to simply having rules that may be oppressive and forced upon people. It is based on an agreement and the fulfilling of that agreement. It is consensual. However, this is again not concerned with people getting what they deserve specifically, but simply what people agree upon. Volunteerism is what the market is rooted upon according to the neoliberal perspective. However this does not take into account the many people who have limited choice and are vulnerable to coercion: The

imposition of one's will on another by the use of penalty, force, or the threat of force (Dyck 2012).

Volunteerism is flawed in the same way that Justice being a matter of simply fulfilling laws is flawed. A utilitarian would claim this to be good (in terms of labour within the market) because they are getting more by taking on the labour (no matter how demeaning or low pay) then if the opportunity itself did not exist. In other words it is better than the alternative of not taking on the job, and since the agreement was consensual, clearly a person would not choose to do this work if it was not better. Justice however, is not looking to give more of anything to anyone, perhaps it is giving more to some, but may also be taking away some from others depending on what people deserve. Volunteerism considers consent to be the basis of justice, however doesn't concern itself with what people deserve, but with an agreement, disregarding any kind of equality of the people involved in the contract, also disregards fairness because it does not consider coercion.

### Justice and Social Contract

Fulfilling a contract, therefore, may be Just, and the contract itself may be a just contract, but simply because it's a contract does not make it just. Contracts are not just in and of themselves. We recognise this with states and communities of people creating laws to be in place above everyone in the group no matter the position of power. Groups of moral obligation are very important to seeing justice take place. As I will describe in more detail later, groups of moral obligation cooperate and have the ability to approach justice, whereas groups that compete do not. As the incentive within a group is to cooperate, with social structures and rules reified in

place to achieve this (Boyd, Richardson, 2009). It is critical to understand that justice is relational, and is generally concerned with giving what one deserves as means of maintaining or restoring order to a community (Eisner 2018).

### What is Fairness?

Fairness is a critical component of justice (Rawls, 2009 p.43). It is a component of equality in that it acts as a platform, that no one should be withheld from a position in society based on anything other than merit (not race, not sex, not social background etc). One could say for example, that it would be unfair if by the law, being something that is above everyone in a society, whites were given special privileges not given to nonwhites based on their race. It is not a matter of having rights to opportunities, but an effective equal chance of achieving them. It is this level of platform that is fair; a common ground that both parties stand on. It may seem that for a global kind of justice, it must be based off of some kind of collective value or characteristic. Finding a common ground to build justice upon may seem as a kind of social contract. However as Sheldon Wein (1987) argues, this is flawed.

### Is justice a contract?

Wein (1987) argues that for a social contract to be Just, it must meet five conditions. He uses these conditions to then argue that as moral contract theories go, most of them are insufficient for various reasons, but Plato offers the best one. The five conditions Wein argues

must be met for a Just social contract are: the rationality condition, which the rules only apply to those who are rational, because they are the only ones who are responsible for their actions. The second is the ought-implies-can condition, the rules only require us to do what we are able to do. "A rule which tells one to do the impossible (or refrain from doing the inevitable) is not a rule of justice". One can only do something if they have a reason to do it. The third condition that must be met is the benefit condition. That those who follow the rules, collectively, are better off than if they don't follow the rules. The fourth condition is the sacrifice condition. This condition requires people to restrain themselves from doing what they would otherwise do. If it did not then there would be no reason for the rules. The final condition is the categorical condition. This is that the rules apply universally to rational individuals, because they are rational.

Wein (1987) argues that the reason why contractarian theorist fail, where Plato's theory does not, is because they presume other attributions into the subjective reality that the contract is applied to. It is already stated that contractarian theories are only to apply to those who are rational, however each also attempts to explain that it is on the grounds that one is rational that they accept the moral contract. However each fails in that particular respect. For example, Locke's theory states that: "given that individuals have certain natural rights and that everyone is willing to accept those rights, here is how to formulate social rules which protect the natural rights of everyone and allow each the benefits which accrue to those engaged in cooperative interaction" (Wein, 1987). However this fails because he presumes natural rights (Wein 1987), to fulfill them in his contract theory he places them his the state of nature. The problem is there is nothing irrational in holding that there are no natural rights, therefore it does not fill the categorical condition of applying universally to rational agents because they are rational.

Rawls theory fails in a similar way. Rawls begins his theory of justice with the original position, in which people don't know who they will be in the world, and are inclined to choose a more fair society. (Wein 1987) Now this presumes that people in the original position have some kind of equal goals and ideals as they are choosing it to be fair in some kind of respect. However it fails as a contractarian theory because it presupposes an inclination towards fairness (Wein 1987). Therefore it does not attribute to rational individuals universally for the sake of being rational, because it also supposes fairness categorically.

Hobbes developed a theory of justice in which the original position was populated by rational individuals who were not withheld by any normative rules and had no moral inclinations. Hobbes explains life like this would be solitary, poor, nasty, brutish, and short, he the argued the main concern for these people would be to stay alive (Wein 1987). Hobbes theory fails not because he presupposes moral inclinations, but because he presupposes an inclination to stay alive (Wein 1987). However not every rational agent has the desire to stay alive, so it fails the categorical condition because it hypothetically presupposes that all rational agents want to stay alive. Hume fails because he assumes that everyone is benevolent and sympathetic.

Hume's qua contractarian theory, is that instrumentally rational individuals who are self-interested, benevolent, and sympathetic, and who find themselves in the circumstances of justice, will, as a means of furthering their various ends form a social union governed by moral rules (Wein 1987). The rules they adopt are the rules of justice. Similar to Hobbes, Hume fails because he hypothetically assumes benevolence and sympathy (Wein 1987). They do not fail because they presume a moral inclination (like Locke and Rawls) categorically but because they presume hypothetical additions to the rational agent.

Gauthiers original position is filled with people who are self-interested and have no interest in anyone else. He argues that it is within their self-interest to accept some social rules, as long as others accept them also. These rules that are agreed upon are the rules of justice (Wein 1987). David Gauthier fails to meet the categorical condition because he proposes a theory that appeals to non-tuists. He proposes an original position like Rawls, except that there are many people and they are self-maximizing non-tuists. This leaves out tuist's who would have concern about others wellbeing (Wein 1987). Because it presumes non-tuism, and there is nothing irrational about being tuistic, therefore it does not meet the categorical condition of attributing to rational agents for the sake of them being rational.

Wein (1987) argues that none of these philosophers fulfill the requirement of the categorical condition. None provide a state of nature that adequately explains the subjective reality, nor provides a reason that for the sake of being rational why one would follow their particular social contract, for any reason other than that they are rational.

But Wein (1987) argues that Plato's theory meet's the categorical condition because it does not attribute added moral intuitions categorically as well as reason or hypothesise added characteristics to the rational agent. However Plato continues to reason and points out an important flaw in contractarian theory. For example, Plato tells a story about a Lydian shepherd and the ring of Gyges. The ring of Gyges allows one to be invisible at will, making them able to avoid all social consequences for their actions, and so question is posed, would a rational person still be moral if they had no consequence for their actions. It is then asserted that morality is a social construct based on virtue and reputation.

For a social contract to work, it requires to meet these five conditions proposed by Wein.

However, alone it does not necessarily hold up as a good moral theory for justice. This is

because just because someone is rational does not mean they will necessarily meet the social contract proposed. If they have enough power the contract may be irrelevant. Furthermore, the contractarians that we have understood to fail, also fail because they do not recognise the subjective reality to enough of an extent.

#### The Subjective Reality

We live in a subjective reality. Any theory of justice must understand this, because it is the reality we live in. We are born as individuals, subjects in the world that view truth, or reality, from our own perspective. We all may sit around the same fire, for example, but we would see things slightly differently, because of where we sit. People are not wrong in what they claim to be true, but what they say is not the absolute truth, but a perspective of the truth. To know truth objectively would be to be everything, this is because what we know is our own experience, the rest is our experience of something else, not being it itself, but knowing it as a subject. To know, truth itself objectively, one would then have to be everywhere. But people are not omnipresent, therefore our understanding of the world is subjective, because we all have a perspective. Of course this analogy is not perfect; that we are all sitting around seeing the same thing take place. Some people are blind at birth and have never seen colour, how could one possibly describe to the concept of colour to a blind person, what reference would they be able to use to conceptualize what colour is? Plato described this with his idea of Plato's cave. Plato's cave is an allegory of prisoners chained in a cave, they only see the shadows on the wall. One of the prisoner's manages to escape and leaves the cave to see the sun, the wind, the trees, and returns to the other prisoner's. The other prisoner's deemed him stupid by what he described as true (Gendler, 2015), of course how could they possible have any reference of understanding? The

idea is of someone who left the cave came back and was unable to communicate what they had seen. Of course, people are not solitary creatures so alien to one another that we live in our own bubbles unable to communicate or understand each other.

We are not individual, solitary creatures however, living in our own bubbles with no change or interaction. We are social beings, and the vast majority of humans live with other humans. And all of us live because of other humans, and this is not simply because it takes two to make one, but because what a newborn needs more than anything else to survive is other people, because babies cannot survive on their own. If you left a baby in a room with food and water and everything required for a person to survive, the baby would be unable to survive on its own. It needs someone else to sacrifice some of themselves so that it can live. People need people. From this basic fact of life, families of one form or another exist, they live together, work for each other and know each other. They think collectively for what's best for all of them as a cohesive group. When one child gets sick, they get medicine for that one child, they don't get medicine for the children who are not sick, however if one of the others got sick, they would be equally deserving of medicine. Parents have a moral obligation to their children and provide equity among them, the children are equally deserving of equity by their parents. (Isbister, 2001, p.168) This is the formulation of moral boundaries and moral obligations. It is a matter of survival to cooperate on the bottom level, and it is almost universal among species to care for their young. Cooperation becomes essential for humans to perpetuate themselves because of the utter vulnerability of newborns. To call family cooperation good is not controversial, people in all cultures have close-knit groups and familial structures. This is the formation of cooperation, and the reification of moral boundaries. These moral boundaries have been growing larger and larger. Anarchy, being the breakdown of social cooperation and power structures that perpetuate

a social group, or, a state of disorder due to absence or non-recognition of authority or other controlling systems (Oxford University Press 2018); now exists on the international level as it has steadily been pushed further and further away from the daily lives of people.

We have understood now, that Justice is concerned with what people deserve. It is not simply charity, law, or volunteerism. We have found that it is relational and built off fairness. However building it from common characteristics, or conditions is flawed because it ignores the reality of the subjective value. But we have also seen that people can, have and do cooperate, and that is equally part of the human condition. Justice, being relational, comes from human groups in which there are moral boundaries and reified structures that perpetuate the group existence (Boyd, Richardson, 2009). For example, consider the cooperation that perpetuates our species on the lowest most basic level – caring for the young. Although rules and contracts exist within people groups, they are concerned with perpetuating the group agreement, rather than giving what people deserve. And so for justice to take place within a group, a collective value such as fairness must be taken on by faith, to perpetuate not only the group, but justice within the group. We have also seen that justice is not necessarily achieved by finding the best structure to bring forth "perfect justice" but that it is something to be approached (Sen, 2009), dependent on the subjective reality, and that takes an almost utilitarian approach, that justice is dependent on the community.

### Principles of Justice

Isbister's (2009) idea of what is required for justice is a conflation of three principles. Efficiency, equality and freedom. Equality is the idea that we are all deserving of equal

opportunity. Freedom is that we are all free to pursue our passions, and Efficiency, that we are deserving to get the most out of the things that we have.

#### **Equality**

Equality is the idea that as people we are all deserving of equal opportunity. But it is clear that trying to find some kind of particular characteristic as to why we are equal is problematic (Isbister, 2001). Because no matter the characteristic that is chosen, whether it be "moral reasoning" or the ability to feel (Isbister, 2001, P.6), there will always be someone, who is a person, who does not share equally in that characteristic. So equality cannot be derived from a particular characteristic. Because no one shares equally in any characteristic universally. But I think it's important to reiterate that justice is giving people what they deserve, and with equality being a critical component of justice (Isbister, 2001), then equality is something to strive for, something that is accepted as a kind of faith in order to produce the playing field for justice to exist. Isbister (2001) begins his conversation on his idea of equality with "veil of ignorance" (Rawls, 1990). This is the idea that if we were all standing outside of society looking in, not knowing who or where you would be born, (the original position), you would choose the most equal and Fair society. However, Isbister explains, there is a flaw with this idea.

"If people in the original position agree upon equality as a foundation of justice, it must be because they share certain motivations or believe they will share certain motivations in the world to come – in spite of the fact that the knowledge of their psychological makeup is supposedly hidden from them by the veil of ignorance. (Isbister, 2001, P.6)"

The mistake that is being pointed out here, is that a common characteristic is being assumed in the original position: motivation. Motivation differs in reality down to the very individual. So once again, we see that we have our individual differences that make us subjective. However understanding our many different positions, and making a platform in which we can be equally free to pursue our goals and have equally the means to do so (freedom is also a critical component that follows equality).

The debate on equality today lies largely on equality of outcomes or equality of opportunity (Isbister, 2001 P.7). Equality of outcomes is unjust because it means no matter how hard one works or contributes to society they will always come out with the same as everyone else, meaning people do not get what they deserve. And in a world where people have different goals and pursuits, equal outcomes doesn't necessarily mean equality. Precisely because in making a collective equal outcome, we are making a particular characteristic in human society equal.

"The choice of what to be equalized matters because, as Amartya Sen points out, since people are diverse, if one insists upon equality in one dimension, one inevitably gets inequality in others. For example, some of us get more happiness from wealth than others do. If we are made equal in wealth, therefore, we will be unequal in happiness.

Alternatively, if we are made equal in happiness, we will have unequal wealth." (Isbister, 2001, P.7)

Equal opportunity however, is a level platform for people to pursue their goals from. It is an equitable beginning to life and opportunities to pursue ones passion. However, if a world was created with perfect equal opportunity and a perfectly equitable playing field existed, it would be extremely unstable. (Isbister, 2001, P.14) This is because there will be people who do well, and

justly create a rich life and success in the world and others will justly not. Their positions will be different, and when they have kids, the kids will be born into an unequal playing field with unequal opportunity. Therefore, some measures of equal outcomes are required to perpetuate some kind of equal opportunity. And to perpetuate equal opportunity, we need some kind of equality of outcomes. For example, equality of outcomes in terms of capital, that is economic capital of some regards, is important because it is pure instrumental value. That is so people would be equipped with the means to pursue their passions. Of course, if everyone could pursue just what they wanted this would lead to the question of obligation and boundaries for justice. What are we free to peruse? The boundaries also include freedom and efficiency.

#### Freedom

Freedom is that we are all free to pursue our passions (Isbister, 2001). Freedom is central to justice because the lack of freedom is to be under control of someone else, unable to pursue ones passions as ones future is determined. You could say, that inequality hinders peoples freedom, therefore equality is a proper aim, central to justice. For some, such as libertarians, this is the only social virtue (Isbister, 2001, P.15). However they disregard equality, to the extent that their form of equal opportunity is actually just having an opportunity. The concern here is that whether it is equal or not doesn't matter because as long as one works hard enough then they can seize the opportunity. In a libertarian world, it just that some people need not to work much at all and receive huge benefits simply because the opportunity to do so exists, and interfering with that freedom to seize that opportunity is going against the only virtue that they see. Freedom. However, it is clear that there is a distinction of "Freedom to", and "freedom from" (Isbister, 2001). Freedoms to is what we are free to do, freedom of speech, freedom to bear arms, freedom

to worship for example. Freedoms from would be free from poverty, sickness, discrimination. In simple terms, I am perfectly free to do whatever I please as long as it doesn't interfere with others freedom from. From here, to determine a justice system, one must construct freedoms to and freedoms from to be enforced.

### **Efficiency**

Efficiency according to is getting the most out of what one has (Isbister, 2001 P.18). This is because there is a limited amount of resources on our planet. If we had an infinite amount of space and resources, then there would be no reason for efficiency, as we could consume as much as possible. This is the most important virtue for economist (Isbister, 2001, P.18), with the thing of value being for the economy monetary value, in a world of scarce resources it only makes sense that efficiency would be the highest value. They attribute efficiency to prosperity as a core value. And so the waste and consumption is maximized in order to be efficient in maximizing wealth in the most efficient way. Efficiency as a principle on its own is simply to get the most out of what is available, and so with regards to justice, it's getting the most benefit for a community.

### Moral boundaries

So how do freedom, efficiency affect moral boundaries? If we as people are all equally deserving of equality, freedom and efficiency, then am I obligated to give as much of what is required to provide justice to everyone equally? However that this Is not how people live their lives: "I devote more attention to my friends than to strangers, more to the people in my workplace than to people who work elsewhere, more to the people in my country than to people

on the other side of the world" (Isbister, 2001, P.164) These moral boundaries are very real however do not take away from the each person being of equal moral value, as each is deserving to be treated with equal moral value. But obligation lies within spheres of affect, the boundary in which a person feels comradery or empathizes with. So the question therein lies, what moral obligation do we have to those who lie outside our moral obligations? Isbister explains with the example of children, interactions of moral boundaries and obligations.

"Many children, for example, live in dysfunctional families or perhaps no families at all. The rest of us have obligations to those children. Our public agencies, supported by our tax money, need to step in and do the best they can for them, on our behalf. As individuals we can sometimes help as well, by befriending the children, perhaps by welcoming them into our homes and providing them things they need. We cannot, however, replace their families. Even if we could, we should not be required to, because to require us would represent an unjustified violation of our freedom to conduct our personal, family lives as we see fit." (Isbister, 2001, P.168).

### Cooperation or competition from state level entities

In terms of social organizations, there are two common or typical perspectives in terms of the international community and how the national level should relate to people. The first is a "cosmopolitan perspective" (Isbister, 2001, P.164) which states that nations have as much obligation to people outside their state than within, meaning everything they offer citizens they must offer non-citizens. The second is a "realist perspective" (Isbister, 2001, P.164) that views

that there is absolutely no obligation to non-citizens. Both of these are wrong because the first eliminates moral boundaries and violates the efficiency principle and the second is wrong because it violates the equality principle (Isbister, 2001, P.165). Isbister offers an alternative perspective: nation states have an obligation to take care of destitute citizens at home, as if they treat foreign individuals who are destitute with the equal treatment, then they are denying the local individual justice, as the state has a greater obligation to its citizens, like a father has a greater obligation to his own children. However, a state also has the obligation not to make the situation outside of the state any less just. This question of obligation becomes extended when we include animals and the environment. The same problems in terms of finding a characteristic that differs people from animals exists when trying to differentiate between people and animals. Similar to the problem we face in finding a common characteristic between people. Some would claim that an ecocentric perspective, that the environment as a whole, should take on centre value as it is the home for all lifeforms. This is an extreme view and becomes problematic as an ecocentric view would regard people as having become the cancer to the environment, and dismantling all of civilization and leaving humanity in ruins would be progress in achieving that hope (Isbister, 2001, P.222). However Isbister explains that a "humanistic approach" and living within spheres of obligation in terms of one's own species (of which every species acts in obligation to its own kind), is a better approach (Isbister, 2001, P.224). This is because it does not deny that the environment as a thing of value, we as humans are dependent on it for our own survival, and therefore need to protect it for our own sake. Like people in the market, we are so interconnected and dependent on one another, that there is an incentive for equity, because of the interdependence. With animals, one can make the argument that because they seem to share in

conscious experience, including pain, that they deserve to be treated with dignity and allow them to be free in their own respects.

Isbister centres his three virtues on people, but these are not based on any particular characteristic that is commonly shared between people (as people will always fall unequal no matter the characteristic). Rather, these virtues are applied to everyone based on assumption, or an intuition that this is something to build towards. Therefore it is not by characteristic, but by faith, that we as people are deserving of equality, freedom and efficiency in a just society.

Justice is therefore something that groups use to maintain a collective benefit. It seeks to give the people in the community what they deserve based on what it values most. We can see the flaws in contractarian theory, most of which failed because they inserted moral intuitions in an 'original position', which do not necessarily apply, but also because reason alone is instrumental in achieving what one values. So if we are seeking justice for everyone, we are seeking for a collective value. Societies have progressed by pushing anarchy further and further away by the creation of identity groups and macro level structures like states. This has left anarchy residing on the international level. Isbister's concept of justice is the most useful because it is relevant to the subjective reality and the collective value, it understands the tensions played out between efficiency, equality and freedom of people in dealing with living collectively but also maintaining their own individual subjectivity. It deals precisely on the realm of the international scale in which trade and "fair" trade take place, of which fairness is a kind of level platform of effective equal chance.

# Conclusion

Justice requires a platform of fairness, otherwise there is no obligation to create any kind of justice. A platform of fairness requires a group of moral obligation, cooperation. If there is no cooperation then there is no group for a platform of fairness to exist upon. Cooperation requires trust, if there is no trust then there is no cooperation. Cooperation requires faith. Going forward we are asking the question, is fair trade fair? We understand the confines now that produce justice, now we must understand the world of global trade and fair trade to determine whether or not it is fair.

#### Chapter 2.

#### **Trade and Fair Trade**

To find out if fair trade is fair, we have to understand the current structure of global trade and its important components. From looking at the key aspects that brought our current global market to be, we can judge whether trade is just. In global trade, we will look at where fair trade fits within the global market. By understanding the details of the current situation of trade and fair trade we can determine whether it is fair.

### The traditional and market economy. A transition.

Karl Polanyi describes accurately the processes that created our current day economic structures. Polanyi outlines the distinction between traditional economies and today's market economies. A traditional economy is one where the market is embedded within a society and is instrumental to the society:

"No society could, naturally, live for any length of time unless it possessed an economy of some sort; but previously to our time no economy has ever existed that, even in principle, was controlled by markets. In spite of the chorus of academic incantations so persistent in the nineteenth century, gain and profit made on exchange never before played an important part in human economy. (Polanyi, 1944, p. 43)."

The transition to a market economy meant that no longer were markets controlled by societies, but that societies would be market driven. Polanyi describes how this process came to be and how it maintains to perpetuate itself. Polanyi rightly points out that a purely market driven society would collapse, as the commodification of all things under a market society would destroy social constructed relations and values, the very framework of a cooperation. The reason

why the market is so destructive to society is that it only recognizes things by what they have in terms of monetary value, it does not recognise intrinsic value, something that is valuable in and of itself, It is an ideological instrument that is paraded as amoral and removed from the normative dimension where standards for behaviour and morality are derived from. The market only recognises commodities (things to be bought and sold on the market). Whether people are made prosperous or are impoverished matters not, as that would be a problem for a normative dimension. So for the existence of a community's social fabric, it needed to protect itself and regulate the market to maintain cooperation in a collective society. (Polanyi, 1944. Wood 1999)

Polanyi out lines that for a market economy to exist it needs to commodify land, labour and money. None of these things are genuine commodities, because none of them are made to be sold, however have been commodified to suite the market economy:

The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets from an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them...Labor is only another name for human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking of state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious (Polanyi, 1944, p. 72).

The commodification of land and labour came about through the process of enclosures beginning in 16<sup>th</sup> century Britain. The enclosures were the privatization of common land used by peoples to grow food and graze cattle. The rich owned the land and this made the commodification of labour a necessity to survive. This is because the means to food was no longer the use of common land, but was to labour for monetary value. This is critical because it is the incorporation of people within the market as a means of survival, meaning to perpetuate oneself, one has to participate in the market. This particular event which disposed a large group of peasants from non-market means of survival, created the first working class, completely reliant on the market as a means of survival (Wood, 1999). This key event produced an effective model of colonization for the expansion of capitalist markets, with a common trend of results among societies being incorporating into them:

"The expansion of capitalist imperatives throughout the world has regularly reproduced effects that it had at the beginning within its country of origin: dispossession, extinction of customary property rights, the imposition of market imperatives, and environmental destruction." (Wood, 1999, P.118)

The important points being made here by both Wood and Polanyi is that markets are a social creation and capitalism was born out of social life. It wasn't a force of nature in which was being restrained by other forces but was created through particular social and environmental conditions. A second point is the role that capitalist markets play in social life that distinguishes it from other markets in human history with the commodification of people's relationship with land labour and money (Polanyi, 1944). These had intimate and intrinsic value within the social fabric of society, but in being commodified its value became monetary with its worth found in being bought and sold. A third important point that makes itself apparent from

Polanyi and Wood is that capitalist markets function as an amoral ideological instrument, and is used as the mediator in social decisions. However it is critical to note, that although the market itself is an ideological amoral instrument, it can only operate in the normative dimension. This is because it can only operate with people using it, and people are not amoral, people are normative and whatever action they do will be in the normative dimension. However we will discover that this reality is overlooked, and that attempting to create market driven societies face huge difficulty's in producing justice.

### Economic globalization.

Trade today is an international, global scale endeavour, and has been for hundreds of years. It is founded and evolved around a particular set of ideas. The foundational ideal is the enlightenment: a materialist focused promise, which promises emancipation from poverty through material prosperity and emancipation from ignorance through science (O'Malley, 2016). Modernity's concept of progress is a linear and eternal one, there is no 'final utopia' to be achieved, rather it is an eternal progression. (This is critical to understanding the function consumption plays in today's society). Writings done by Adam smith proclaimed that the economy should be a human science and should work inside of what is natural to man (Younkins, 2015). Smith's ideas were influential in the functions of the market but also took a new shape when introduced with work from Townsend (Polanyi, 1944). Townsend tells the story of a man, Juan, on an island with many goats. He breeds the goats until there are many, many, goats. Pirates would stop by to eat the goats. Spain did not like the pirates, so they put wild dogs on the island to eat the goats. Fewer and fewer pirates came to the island because there was less to eat. This story was used to understand the influences of food on a peoples. When introduced to the ideas of Adam smith, it became understood as how to integrate others into the market

economy (Polanyi, 1944). Prior to these ideas, Mercantilism cleared the way for a national market by breaking down local particularisms. (Polanyi, 1944, p. 63-65). Mercantilism was a state driven economy that served the state. It didn't recognize the market as something exterior to social society but as something that was state driven. With the prior understandings of smith and in particular Townsend, incorporating people into a market system became practice by imperialist nations. This meant that people had to participate in the market structure, of labour and land being commodities, for money to survive.

This development provided the structures to effectively colonize and incorporate the world into functioning within a market driven society (Wood, 1999). This expansion and incorporation into the global market that begun when capitalism begun, continued to develop throughout the world. "...what capitalism needs most is expanding markets.." (Isbister, 2001, P.197). The capitalist economic globalization expanded with the incorporation of societies into market forces.

The market began to take shape as something distinct from the nation and the social customs of the time. The invisible hand, which refers to the unobstructed choice of the market in demand and supply, was not something of use to attain a better world, but was the thing to attain itself. Although as was stated earlier, a purely market driven society would destroy society (Polanyi, 1944, Wood, 1999), we have in place states and structures meant to protect peoples from the volatility and toxicity of the market to social life. These state structures do not encompass the globe however, as the international community operates in a realist power struggle within anarchy, as there is no moral obligation or macro level structure that encompasses the entirety of the world under a common set of normative social structures. This

international arena is where states and corporations, the two major players in global trade, operate.

### Interdependence, Corporations, states and anarchy.

There is no global state that controls or governs all people. The international community is anarchy. States that exist in the international community compete and cooperate in a realist fashion for capital, realism being a self-interest. This competition is one for control of markets by people groups. There are people groups who have a state like Italians, the French, the British, Norwegians, and Chinese. People groups without a state like the Rohingyas. People groups trying to create their own state like the Catalans. And people groups fighting within a state (like the former Yugoslavia). These are identity groups that cooperate within themselves, but have no reified platform of fairness outside of themselves, so they compete with no moral obligation between each other. States are unions that create rules and structures over land and the people within it. People who are members of this union are citizens. What I previously described with people groups operating within states was an attempt to describe already formed groups of moral obligation and their interaction with a state power structure. When moral obligation does not lie to other groups outside of one's own, violence and competition for state power becomes a reality. This is in a world that is completely globalized into the market. The market is interdependent, and cooperation or coercion is required for the market to exist, even contracts that are made between peoples without moral obligation it still requires trust of some kind that the contract will be fulfilled by the other participant of the contract. However there is no moral obligation required in these transactions, and there is nothing socially driven about it either, as the goal of those participating in the market is to maximize profit or shareholder wealth. The

second great actor in the world of global trade are corporations. Corporations are recognized as legal persons and operate as transnationals in the international community (Khoury, Whyte. 2017). They have the capabilities to lobby governments to regulate in their favour. Today, the biggest companies have upwards of 100 lobbyists representing them, allowing them to be everywhere, all the time. For every dollar spent on lobbying by labor unions and public-interest groups together, large corporations and their associations now spend \$34. Of the 100 organizations that spend the most on lobbying, 95 consistently represent business (Drutman, 2015). Of the 100 richest entities in the world (being states and corporations) 69 of them are corporations. The wealthiest corporation is Walmart, placing as the 10<sup>th</sup> wealthiest entity. This is wealthier then Spain, Australia, the Netherlands, Australia and India (Green, 2016). Being legal persons with the primary incentive to maximize shareholder wealth, they hold no moral obligation to any person within their chain of production. States differ from corporations, states are structures of power that regulate social life over a people and a land. Corporations are Transnational and perpetuate themselves by maximizing shareholder wealth. Because they operate in the international community of which is anarchy, there are few structures in place to hold them accountable, nor do the ones that exist have much weight in bringing justice.

### <u>Neoliberalism</u>

Our global trade today is based off a neoliberal ideology, in which the market becomes the favoured judge for deciding the outcomes in societies. This kind of ideology is our current world situation, and is critical to understand if we are determine how fairness and justice fits into our global, interdependent market.

Neoliberalism is a reinvented classical liberalism and is an approach to functioning with the market. The belief begins with the ideal that if one is to succeed in the market they have to find something that others want. Therefore to benefit oneself, one has to benefit others first is the approach that is taken (O'Malley 2016). However the market provides no platform of fairness, and exploitation is as much as an effective tool in benefiting oneself as benefitting others, especially that peoples around the world have been incorporated into the market as a means of survival. The private sector is more efficient in terms of money in handling sectors in the market, as there goal is to be efficient as possible to maximize wealth. The goal of the public sector is like that of a large union, to provide regulations and services that benefit the people within the union/state. Neoliberalism does not deny that regulation is required however it believes that the least possible is best, as it views the economy as being front and centre (O'Malley, 2016). The belief is that interfering with the market is what causes problems, and if everything was left to the market then problems would be solved by the market. This of course, is flawed in that the market does not care about human social life, it is not a real tangible thing that exists outside somewhere, but is an ideology that incorporates people to act a certain way. The market itself is a function that is, as stated before, amoral, and has led to massive disasters like the great depression, or the financial crisis in 2008. The market as a "free market" has never existed nor can it ever exist, as stated above by Polanyi (1944), it would destroy social life. It was state intervention that softened the blow of the 2008 finical crisis, not the market, if it was left up to the market it would have deepened the crisis. The processes that led to our neoliberal hegemonic approach to global trade today began with the crisis in the great depression.

In the 1920's the economy was expanding and growing fast, accumulating great wealth throughout the west. When the 1930's came the market crashed and society fell into the

depression. Governments saved money and raised interest rates in an attempt to make more money. This kind of action is like the action that individuals would make during the depression. Macro level structures (governments) were acting like individuals on the Micro level (trying to save money for itself), perpetuating the market collapse. When the Second World War began, it provided a new market of factory jobs building war materials and jobs in the military. This put an end to the great depression. After the war, macroeconomics was developed as well as Keynesian economics. Keynesian economics were heavily regulated economics that would save money in times of prosperity, ad re invest in times of market busts in attempt to mitigate the boom and bust cycle that markets take. By the 1970's neoliberalism, (a return to classical liberalism in policy's, moving institutions over to the private sector as well as deregulating, in an effort that this will improve efficiency and better society), became the dominant ideology. The move to greater privatization and deregulation is the current world we live in today.

### The neoliberal global trade has produced some huge inequalities.

The world that we live in today has massive inequality that is continuing to expand.

Three years ago the richest 80 people had as much wealth as the bottom half of the global population. Today it is the richest 8 who have as much wealth as the bottom half of the globe (Oxfam International, 2018). 82 percent of the wealth created last year went to the richest one percent of the global population, while the 3.7 billion people who make up the poorest half of humanity got nothing. (Oxfam International, 2018). Billionaires saw their wealth increase by \$762bn in just 12 months (March 2016 - March 2017). This huge increase could have ended global extreme poverty seven times over. (Oxfam International 2018). 56 percent of the global population lives on between \$2 and \$10 a day. Less than 6 percent of the value of a chocolate bar

reaches cocoa farmers. In the 1980's it was 18%. It is projected by Oxfam that almost half a billion people will be living on less than \$1.90 a day in 1930. This inequality has been produced in a world that is more interconnected, and, more interdependent than ever in history. The wealth created could not have been created without the participation of those who have poverty. The wealth is dependent on this, imagine if the bottom level of chains of production stopped producing, there would be no production, therefore there is a dependence. Although these inequalities still have been created despite this.

This is the current global position, one that many claim to be unjust, and it is these massive inequalities in which Fair Trade initiated out of to mitigate and provide some kind of fairness or justice to the situation.

# What is fair trade?

Fair Trade is an attempt from the consumer end of the market to provide some kind of justice or fairness to producers of commodities such as coffee or goods such as textiles (Fairtrade International, 2018). It tries to solve a normative problem with market forces by creating a market for 'ethical' goods. What it recognizes are the huge inequalities that the market has created and attempts to create justice where it recognizes injustice by means of the market. What fair trade is, is a set of standards for producers to meet. That they follow what the standard considers fair, as well as receive a producer's premium. An extra sum of money that is guaranteed with the intention of it going to benefit the community and for the producers to have "fair" wages, although there is no platform for fairness in this model because it exists and competes within the market. The appeal lies however in the consumer side of things. The idea of

a fair and just market needs to be advertised, as the selling point of the product is that it is an ethically produced good. The idea is that consumers can choose to buy goods that are produced under a fair standard, leading other groups to follow in suite creating a demand for these ethical goods. All in the hopes that one day there will be one market that's driven only by what is fair, although no definition of what is fair is given by the fair trade label organization (Fairtrade Canada, 2018). There are many different standards in place called "fair trade" many standards have been created by corporations themselves for example: Starbucks Coffee and Farmer Equity (C.A.F.E.) Practices (Starbucks, 2018). But there are other standards that are not created by corporations that are separate entities themselves, such as the fair trade label organization (FLO) or the World Fair Trade organization (WFTO).

#### Fair Trade history:

There are many origin stories of Fair Trade. The truth is, Fair Trade began organically across the world, and followed a similar structure, one that Fair Trade certification boards still follow today. It grew out of religious and social concerned groups (WFTO, 2015). One example of Fair Trade occurring begins as follows: The story is explained by Arron 2008: Edna Ruth Byler served with MCC in Puerto Rico with her husband. While there she met women doing quality needlework but were living in poverty having nowhere to sell their goods. From here the village was connected into the market network Edna had access to and was able to have their goods sold. The model was that the north would expand business and trade into the south as a way to develop these areas and address the poverty and inequality. The goal was greater equity in international trade (WFTO, 2015). Over time, more and more villages were incorporated into this market network. The market niche was this: the goods themselves were not available except

through this alternative trade network. The goods that were purchased served a normative purpose in that the money was going to those who were living in poverty. It is an effort to address the poverty through trade in the market; through consumer choice.

During the 1960's and 70's, NGO's and socially motivated individuals and groups would meet in conferences. "The second UNCTAD conference (United Nations Conference on Trade and Development) in Delhi in 1968, to communicate the message "Trade not Aid." This approach put the emphasis on the establishment of equitable trade relations with the South," (WFTO, 2015). These initiatives grew as a response to the poverty and inequality suffered in the south. From the mid-70s, Fair Trade Organisations worldwide began to meet informally in conferences every couple of years. By the mid-80s there was a desire to come together more formally and by the end of the decade two organisations were established. The European Fair Trade Association (EFTA), an association of the 11 largest importing Fair Trade organisations in Europe, was formed in 1987, and two years later, the World Fair Trade Organisation (WFTO), formerly the International Federation of Alternative Trade (IFAT). In 1988, the "Max Havelaar" label was established in The Netherlands (WFTO, 2015). The name was derived from a fictional character from a 19th century novel who advocated for better treatment of coffee producers. (Low, Davenport, Newholm & Shaw. 2007.) this kind of model caught on and certification schemes began to expand. In 1997 their worldwide association, Fairtrade Labelling International (FLO, now Fairtrade International) was created. Today, Fairtrade International sets international standards for several Fair Trade products and standards are used by other fair trade certifications (WFTO, 2015).

#### Current Fair Trade standards (FLO):

The FLO (Fair Trade Labeling Organization International), founded in 1997, is the largest fair trade certifier in the world (Fairtrade International, 2018). FLO certifies small scale farmers under their social, economic and environmental standards. They describe this as protecting "workers' rights" as well as the environment while ensuring a minimum price and premiums to the farmer. They also certify plantations which are companies that have many employees working on a single estate. The FLO describes the plantation standards as:

"protect workers' basic rights; from keeping them safe and healthy, allowing them freedom of association and collective bargaining, to preventing discrimination and ensuring no bonded or illegal child labor. They also require employers to pay wages that progress towards living wage benchmarks. Ensuring decent working conditions and strong worker rights is central to Fairtrade's work (Fairtrade Canada, 2018)

It's important to point out that they require employers to pay wages that "progress towards living wage bench marks", this means that their standard that is in place does not ensure a living wage.

The FLO works with products such as Banana's, cocoa, coffee, cotton, flowers, sugar, tea, composite products, carbon credits, fresh fruit, gold, honey, juices, rice, spices and herbs, sports balls such as soccer balls, volleyballs and basketballs, as well as wine. They work with 1226 certified producer organizations in over 70 different countries. Global Fair Trade sales have reached 7.88 Billion Euros. In 2015, 138 million euros were paid in social premiums (Fairtrade International, 2018). According to Fair Trade Canada there are over 1.66 million farmers and workers spread across 75 countries in the world participating in Fairtrade.

Fairtrade offers a minimum price and a social premium on top of that as a guarantee to farmers. The minimum price acts as a kind of minimum wage, which no matter the market circumstances the farmers will always be paid a minimum standard price. But having them state that it is not even a living wage that the "minimum price" offers, what is there minimum price covering if it is not even a living wage. It's also interesting to point out that this change to a Fair Trade minimum wage happened recently in the last 5-7 years. Before the Fair trade minimum was always above market price. The fair trade minimum for Robusta Coffee today is \$1.01 USD, and \$1.05 USD for washed. For Arabica coffee the fair trade minimum is \$1.35 USD, and \$1.40 USD for washed (Fairtrade International, 2018).

The fair trade premium is money that is paid to the producers on top of the minimum pricing. It is paid to the producer's organization and is up to them on how they use the money. The Fair Trade premium today is an additional \$0.20 USD, a further \$0.30 USD is added on top if the product is organically produced (Fairtrade international, 2018).

A study on the results of Certification schemes such as Fair trade found that that wages for workers engaged in certified production were 13% lower than for workers working uncertified employers (Oya, C., Schaefer, F., Skalidou, D., McCosker, C., Langer, L., 2017). Certified producers on average had slightly higher wealth levels than uncertified producer who had been selected to be similar to them, and the overall effect was a 3% increase in assets, but this effect was not statistically distinguishable from zero (range from -7% to 13%; SMD 0.05, 95%-CI from -0.15 to 0.26) (Oya, C., et-al. 2017) Overall, they found mixed results and a dominance of weak or not statistically significant effects. There were both positive and negative effects for different outcomes. Even within a given CS there is substantial variation in effects across different outcomes (Oya, C., et-al. 2017). I would argue that the volatile results of

certification schemes are volatile because they operate within market forces, of which are volatile.

### CSR vs FLO:

There is a distinction to be made in terms of programs that have attempted to address the huge inequalities produced by global trade. The Fair Trade movement, now largely under the umbrella of the FLO certification, is a movement that seeks to create a market for ethically sourced goods. Throughout this movement there exists also Corporate Social Responsibility programs (CSR). CSR programs are initiated by the corporation themselves, notable CSR programs are the above mentioned Coffee and Farmer Equity (C.A.F.E.) by Starbucks (Starbucks, 2018) and Tim Hortons coffee partnership (Tim Hortons, 2018). Gavin Fridell accurately describes the key difference in these initiatives:

"...not just of two different routes to the same goal, but of contrasting goals that, ultimately, lead to incompatible visions of the future of fair trade: one that is stakeholder-driven and devoted to consumer education; and one that is shareholder driven and subsumed by corporate marketing strategies." (Fridell 2008)

This distinction is critical as Fair Trade has a normative goal in tackling global inequality and poverty for the sake of it being an injustice. CSR maintains its primary priority to maximizing shareholder wealth, contradicting dealing with the normative issue as the incentive becomes doing the least possible as to maximize profits. The incentive in CSR is secondary to maximizing shareholder wealth, making the normative goal of addressing global inequality and

poverty not the actual goal of CSR at all, as it will only take place when it does not interfere with maximizing shareholder wealth.

Our global market has been born out of social life (Polanyi, 1944, Wood, 1999), it is not an entity that resides outside of human life, but is created by it. By incorporating peoples to operate within the market as a means of survival, mercantilism and colonialism globalized the world's peoples into the market and laid the framework for today's capitalist, neoliberal global trade. The market is treated as a judge for normative issues under the neoliberal approach, however is an ideological mechanism that is profit driven. This leaves out an approach to deal with normative issues, and having no platform of fairness, creates a world of steep inequality and injustice. Fair Trade was invented to remedy these inequalities. However, the involvement of corporations creates a conflict of interest in terms of priorities. Fair Trade's primary incentive is to attempt to address the inequalities and injustice created by global trade, corporations primary incentive remains to maximize shareholder wealth, so they have an incentive to do the minimum required and maintain the status quo. However, Fair Trade as a model itself utilizes the market mechanism as an attempt to produce fairness and justice. Moving forward we can now analyze whether Trade and Fair Trade is fair according to our previously outlined definition of fairness and justice we have determined from the previous chapter.

### Chapter 3.

## **Analysis and Discussion**

## Summary of justice.

We have understood that justice is something that is to be approached. It is not a matter of transcendental institutionalism which is trying to find the perfect principals that make perfect justice. (Sen 2009). This is because reality is subjective. There is no common characteristic equal in people that can be built from as matter of fact for cooperation, and further to justice. Justice is concerned with what people deserve. Justice exists within and from communities of people. Certainly a person can have an individual understanding of justice and act upon it, but justice is relational between people. A critical component of justice is fairness. This acts as a platform or structure of some kind of moral obligation that suggests what things should be. Justice is made from fairness, fairness is made from cooperation, and cooperation is made from trust. So to ask whether the global market is fair or to ask if Fair Trade is fair we would be looking for structures of moral obligation with a platform in which equity is attempted. Without this obligation there is no measure in which justice can be made, making it unfair and unjust. A further description of which people deserve within a platform of fairness are equality of opportunity and outcomes to try to perpetuate equality of opportunity, liberty being a balance of freedom's to and freedoms from, and efficiency which is getting the most out of what we have. It was these three perspectives explained in the story of the three kids and the flute (Sen, 2009). Because arguments for why any one of the kids deserve the flute can be argued impartially, we will find that arguments of what people deserve especially in global trade are concerned with efficiency as the

most important virtue. We will analyze this and whether it is something that fairness or justice can be made from.

### Summary of global trade and whether it's fair

Global trade is an incredibly interconnected and interdependent system. It operates within the international community, of which is anarchy (Shiraev, Zubok 2016). It operates using the market mechanism, an ideological mechanism that is argued to be amoral and treated like a separate entity to people. We have understood that markets are a human creation out of social life (Polanyi, 1944, Wood, 1999). Markets have always been embedded in social life. The difference that occurred with capitalism was the commodification of labour land and money. When this occurred it incorporated people to function within the market as a means of survival. The globalization of this incorporation and the expansion of markets is corrosive to social life and many states have made regulations to protect social life from the market. It has created a world in which operating within the market as a means of survival is the only option for the vast majority. The current approach to dealing with the market is neoliberalism, this approach recognizes the market as an instrument in dealing with normative problems, leaving the ideological mechanism as the judge for what should happen in societies. This approach has led to reregulation in favour of privatization. The issue with using the market mechanism to deal with normative issues is that it is an amoral instrument. It does not care if someone is gay, black, strait, a dollar in the bank is a dollar in the bank. It also doesn't care if someone is hiring a hitman, investing in human trafficking or polluting the world, a dollar in the bank is a dollar in the bank. However the market in action is not amoral, this is because it's created by and used by people, who are not amoral but whose actions are in the normative dimension.

The Global market is a kind of anarchy (Dick 2012). There are no regulatory bodies with any weight that can take on corporations in the international community. Corporations themselves take advantage of people living in states with weak laws regarding social protection or worker rights. To maximize profits, one has the incentive to minimize the cost of production. This requires either technological change for greater efficiency, or cheap labour. The goal for corporations is to maximize shareholder wealth, and to apply the efficiency principle as the greatest makes sense for them because their goal is to maximize shareholder wealth. This comes out of a corporation's only obligation which is to their shareholders. There is no structure or platform of moral obligation in the international community, and chains of production are broken entities (in that there are many separate entities involved, without any accountability to each other). This makes holding those involved in creating injustices to account near impossible.

Because the global market is so interconnected and interdependent, creating macro level problems like the rapid acceleration of climate change, one can understand why there should be moral obligation for those involved. However there are no platforms of moral obligation.

Fairness does not exist in the global market. The difficulties in trying to create a structure of accountability and moral obligation is deepened with the fact that corporations are recognized as legal persons, but operate in the international community which has no structures of obligation. The problem is well described by Khoury and Whyte:

"There is a highly controversial principle in human rights law that allows corporations and other "legal persons" to apply for the same protections as real persons at human rights courts... In its final version, Article 1 Protocol 1 reads: "Every natural or legal person is entitled to the peaceful enjoyment of his possessions" (italics added). The inclusion of "legal persons" in Protocol 1 has had a significant impact on the concept of

rights in Europe and proved to be a watershed for the endorsement of the principle that corporations can be entitled to human rights protections... But corporations cannot be held accountable for human rights violations. So, while corporations can be protected by human rights law, they can at the same time enjoy impunity for committing human rights violations." (Khoury, Whyte. 2017)

Because corporations are treated as legal persons, receiving rights as an individual, however also being 69 of the richest entities on the planet (Green, 2016), should they not have obligation to those they depend on for their wealth? They should, of course, but they don't have any obligation. Their incentives are primarily to their shareholders.

I can further explain the lack of fairness in the global market because of the anarchical reality in the international community incentives competition. The competition is not simply between corporations, but between states vying for investments. This is well described by Deng, Higgs & Chan (2009):

"Through their accounting systems, TNCs shift funds around the world to avoid taxation. Governments, unable to effectively control TNCs' transfer pricing, are therefore under pressure to lower taxes as a means of attracting investment or keeping a company's operation in their country" (Barnet, et al. 1975). (Deng, Higgs & Chan, 2009)

Cooperation is required for a platform or structures of moral obligation, of which is fairness (Rawls, 1990). Because none of this exists in the global market, it is unfair. There is an incentive to compete. A step towards cooperation is step towards fairness. Societies in history have reified social structures to perpetuate cooperation (Boyd, Richardson, 2009). This is to reassure trust and incentives cooperation, from this structures of moral obligation can be formed

to create a structure of fairness to measure justice from. Cooperation under anarchy is difficult as states face a kind of "prisoner's dilemma". The worst option for a state would be to regulate heavily the actions of corporations, deterring investment from their state, while the rest of the world competes for capital investment. This is the worst because there are no short term or long term benefit from this. The better option is that no one cooperates and the state competes alongside the other states for capital investment. This is better because it maintains the option for short term benefit, although there is no long term benefit or structure for cooperation, leaving macro level issues left unapproached (like justice, or rapid climate change). The better option still is that everyone cooperates and tackles the issues that face the planet. There is a better option still, having the resto of the world cooperate and tackle the long term issues while your state defects and receives the short term and long term benefits. The difficulty faced in this decision is that how can you trust in cooperation that the other states involved won't defect. Because defecting allows for the best possible option while also avoiding the worst possible option, this gives an incentive to defect. This is incredibly problematic as for justice to be made requires cooperation, and a perpetuation of competition with no structure of moral obligation means a perpetuation of global injustice. The global market does not provide any justice or fairness, as it is an ideological mechanism that is not concerned with normative issues, it has no platform of moral obligation. Therefore it is unfair.

The current up rise in populism in the world is something worth touching upon as it deals directly to the issue of global trade. It is states deciding that rather than cooperate, they will compete.

It should be clear, from the chapter on justice why a populist, realist approach does not create a platform for justice. Although it's true, I would argue that states have obligation to their

own citizens before citizens from another state simply out of efficiency (Isbister, 2001).

However realism is "zero sum" which is a belief that the world operates with winners and losers.

Although it fails to recognize that that within the groups competing, is cooperation, and if one truly believes in realism, I would ask at what level? Should we be reduced to anarchy? Can competition not be regulated and restrained within a level playing ground, like within some states (not all). And why then, if competition in a zero sum world is the utter truth, then did large cooperating groups condense and operate?

Populism is a cry from the rural community for the state to pay greater obligation to its current citizens. This is impossible to build justice upon. This is because, it maintains a global balance through power and competition, rather than a platform of fairness, to give people what they deserve, and it is organized in a way that seeks to take advantage of others for their own benefit. The structure itself is unfair. States can also be unfair in the structure they create, however, the state can also be fair, whereas a realist neoliberal global market cannot.

It is this injustice in the global market that Fair Trade is trying to address. It recognises the need to address the massive inequalities, and has created a model to tackle the inequalities. The model uses standards and structures to target the wellbeing of the producers. Fair Trade exists as a recognition from those on the consumer end that there is an injustice in the global market.

# Summary of Fair trade and whether it's fair

Fair Trade is a model that markets 'ethical' goods. The idea is that through standards and practices, producers can receive more, addressing the inequality and injustice produced by the

global market. It relies on consumer choice to create a market that demands ethical goods, with the idea that if everyone purchased ethically it would force corporations to address the injustice done to the producers. What is "fair" is not defined by the FLO, but it is noted that the farmers are not given a living wage (Fairtrade Canada, 2018). It could be argued then, that Fair Trade is unfair but is approaching justice by addressing the inequalities and injustices facing the world. This could be argued further in outlining the difference in goals between Fair Trade and CSR, and the risk of corporations becoming involved in Fair Trade is what may make it unfair as the corporations incentive is to deal with inequalities and injustices second to maximizing shareholder wealth. However, Fair trade is unfair not because of corporate involvement, but because the model itself is unfair according to this thesis's definition of fairness.

The reason why Fair Trade is unfair is because it relies on market forces of demand and supply to determine justice, in particular on consumer choice (Fridell, 2008). Relying on consumer choice is flawed because not everyone has enough consumer choice to purchase ethically. The cost of ethical goods are higher because the investment is made to addressing the inequality and injustice. However, this is not a model for producing justice because not everyone has the consumer choice to purchase ethical goods. There is demand for cheaply made, environmentally destructive, exploitative goods because there is a large demographic that relies on them for their living standards. According to the Washington post over half of the entire population in the United States make less than \$30 000 USD a year. Washington post explains the situation further: "The federal poverty level for a family of five is \$28,410, and yet almost 40 percent of all American workers do not even bring in \$20,000 a year." (Michael Snyder 2015). With the condensation of wealth occurring at such stark rate, consuming 'ethically' will be a privilege only for the rich. This is the model of fair trade, as it does not try to change the

structures of global trade, nor does it try create any kind of structure of moral obligation. One chooses to purchase Fair Trade, one does not have an obligation to do so. The fair trade model falls under the category of charity, although it recognizes that it should not be considered charity, but an obligation, however no structure or platform of moral obligation exists in this model, therefore it is unfair.

A platform of moral obligation allows for approaching freedom, efficiency and equality (of which fairness and equity is a component of). Because there is no platform of fairness in the model of Fair Trade, there is no bases to measure freedom from and freedom to. The judge in determining normative outcomes becomes self-interest coercion: the imposition of ones will on another by use of penalty, force, or the threat of violence (Dick 2012). Even in times of cooperation there is no actual moral obligation involved, and no means of perpetuating equity (of which reified social norms and laws can do). Without a platform of fairness, there can be no freedom, efficiency or equality to build from, nor can justice be approached because there is no platform to measure from. Because this platform does not exist in the model of Fair Trade, justice cannot be approached.

### States, the market and moral obligation

States have a better ability to produce justice than the market because states are cooperative groups that have a moral obligation to its citizens. They create laws and regulation, and operate to deal with normative issues. They do not rely on maximizing profits to perpetuate themselves, but operate like a union. Western democratic states operate to create a kind of equity within their countries, and have a platform of fairness like we have outlined by John Rawls.

Because the global market has no structures of moral obligation it is unfair and cannot produce justice.

States do provide platforms and structures of moral obligation. They provide laws and regulations over a land and people, and therefore have the ability to approach justice. Should the structure of moral obligation take on the principals of equality, efficiency and freedom, they would be able to provide a viable approach to justice.

### Recommendations

Understanding what is required for justice and fairness, there are some recommendations that could have a much greater impact in an approach to justice. The first recommendation has to do with the structures of chains of productions and how a different approach in how they are recognized would create an environment of cooperation, and moral obligation throughout. The second I look at cooperatives and how they function differently than a standard cooperation, and how looking at how they function we can re-structure how the market operates to approach fairness and justice.

### Chains of production

How they function: Chains of production involve many different steps and businesses that produce a product. Each step adds value to the commodity until it's reached its final stage. The chain of production for Fair Trade coffee I witnessed in Nicaragua went as followed: Farmers worked in cooperatives. They picked the coffee and would process it through a wet mill which de-pulped the beans. The wet beans are then sent to a benificio. The beneficio would dry the beans under the sun and have workers hired to rake the beans and carry bags. Once the beans

were dried they were put through a dry mill, which would take the outer skin off the bean. These would be bagged and sold to roasters. Roasters would roast the coffee, bag and sell it on the market. The chain of production is broken into segments, and is not a singular entity.

What I would recommend, is that similar to the legal regulations that recognized corporations as legal persons, that chains of production should be recognized as singular entities. China, the U.S.A and Western European country's account for the largest economies on the planet (Bajpai, 2017). The weight these states have in their ability to regulate, and reconstruct the environment in which corporations function as, is as possible as they already regulate how corporations can operate within their own countries. To recognize chains of production as a singular entity, with the entity required to report their social responsibility, while being heavily taxed as a consequence, and/or subsidized when the entity invests into its own chain of production. By creating a singular entity out of chains of production, it fulfills the cooperation aspect, as well as creating a singular group that is interdependent within itself. By creating a structure of moral obligation within the singular entity, there would be fairness, and a measure for justice. Like a state has moral obligation to its own citizens, chains of production would have moral obligation to its own chain.

### Cooperatives

In terms of how businesses have structured themselves as singular entities, they have been driven to meet social goals in communities. For example cooperatives. Cooperatives are entities that are owned and democratically controlled by members. This allows for those who are members to be able to build a platform of fairness from within the entity. The platform allows for

justice to be built from, as it is focused on the cooperation of the group rather than competition between those involved. It is true that cooperatives do compete within the global market, and within their own chains of production in which many are dependent on, my argument is that this model if applied to chains of productions as singular entities it would help build a better platform of fairness within a group, and mitigate oppressive and unfair structures.

These changes would better approach justice as it would lay out the foundations for justice to be built upon. This is because it restructures the group to create a platform of fairness and moral obligation to those involved in the entity.

Because there is no platform of fairness in the model of Fair Trade, justice cannot be approached. Should a restructuring of corporate entities entail chains of production as a single entity, this would better incorporate the producers into the consumer end. But the important factor is that the chain is a whole in and of itself, and are measured by their normative practices, it would create an incentive for moral obligation. By including a cooperative function into the chain of production, it would create environment in which the principals of efficiency, freedom and equality can be approached, and henceforth create an entity that addresses the inequalities and injustices produced by global trade with actual structures of fairness and justice.

#### **Conclusions and recommendations**

Fairness is a structure or platform of moral obligation from which justice can be measured. It must be an equitable structure or platform of moral obligation to produce justice (Rawls, 1990, Isbister, 2001). Without a structure of fairness for justice to be measured from there cannot be justice. Justice is relational, born out of cooperation between people and is concerned with what one deserves. The global market is global, interconnected and interdependent, however it has no structures of fairness involved and uses the ideological market mechanism as a judge. Neoliberalism is the current dominant perspective in the world today, of which believes increased privatization to for profit corporations leads to better normative solutions. The market is amoral and does not have a normative drive in the current capitalist profit driven structure of the global market.

Because the international community is a type of anarchy (Shiraev, Zubok, 2016) and there is no structures for moral obligation and fairness, exploitation and massive inequalities have been the result across the world despite the interdependence. Because there is no platform of moral obligation, the global market is unfair and has no justice.

These inequalities and injustices are what is targeted by the Fair Trade movement. The Fair Trade model looks to create a market for ethically produced goods. It was born out of the recognition of an unfairness and injustice that takes place throughout the world within the global market. Its solution is to use market forces to solve a normative problem. The Fair Trade movement is attempting to bring fairness to trade, hence the name "fair trade". The scale of the Fair Trade movement involves over 70 countries, over a million farmers and workers and is a

multibillion dollar industry (Fairtrade International, 2018). However it does not define what itself considers to be fair, and admits that it does not offer a living wage (Fairtrade Canada, 2018). According to our definition of fairness and justice, fairness being a structure of moral obligation, the Fair Trade movement does not provide any fairness. This is because there is no obligation for anyone to purchase these goods, but it relies on market forces to address the inequalities and injustices produced by global trade. As has been mentioned, today's capitalist market functions by profit and disregards normative issues in not having a moral approach.

Also, Fair Trade fits the definition of charity, in that there is no actual structure of moral obligation to purchase fair trade goods to ensure that justice takes place, but is down to consumer choice, not a collective obligation, that perpetuates Fair Trade. I can feel obligated to purchase these goods myself, but there is no collective obligation to do so.

Finally, Being that justice is relational (Sen, 2009), and not an individual judgment, there is no justice or fairness in Fair Trade. The model itself, being reliant on consumer choice when many do not have the consumer choice to purchase ethical goods, ends up blaming the less fortunate for creating a demand for cheaply made, unethically produced goods. Fair Trade tries to incorporate ethics as a market, but does not have a structure of any moral obligation or fairness. Therefore it is unfair and does not offer an approach to justice.

For global trade, and an extension to Fair Trade to approach justice, there wold have to be structures of moral obligation throughout chains of production. By creating structures that people within the chains of production can utilise as a measure for justice, corporations would have a real obligation to producers. To further approach justice, in dealing with the principals of equality, freedom and efficiency (Isbister, 2001), the cooperative model would be of use. The cooperative model is: (of a farm, business, etc.) owned and run jointly by its members, with

profits or benefits shared among them (Oxford University Press, 2018). They use the business to achieve social goals throughout the community in which they operate. Should this platform be extended to chains of production prior to being recognized as singular entities, it would offer a platform of fairness and the means to approach justice. It would help make things fairer.

Future research could look at the malleability of groups of moral obligation. How is it that they change, and how different groups cooperate together and reassign identification and moral obligation? By understanding these structures and how people identify into or out of them, we can better approach and maintain justice. Future research could also look at how people operate in multiple groups of moral obligation, for example, how we operate as members of a state, as members of city, as members of a community, as a member of a religion, as a member of an ethnicity and as a member of a family all at once. Also how do each of these groups act and effect one another especially in the global market; are there useful things to learn about how to better approach justice and fairness in how these groups already operate within themselves inside of the global market? A better understanding of these topics would better address the issues of inequality and improve our approach to fairness and justice in the world.

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