



Is Fair Trade really a poverty solution?

By C.S. Morrissey
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This is part one of a two-part article.

We don't buy our daily groceries from the Girl Guides, for obvious economic reasons, but we do buy their ridiculously overpriced cookies every now and then.

"Fair trade" proponents indulge in a similar luxury when they devote a small proportion of their disposable income to buying "fair trade" coffee. Maybe it makes them feel morally superior, just like I congratulate myself on what a nice guy I am as I binge after buying my niece's Girl Guide cookies.

Too bad the consumers who love "fair trade" can't admit what is going on when they indulge in their favourite luxury, coffee. At least with the Girl Guide cookies I am conscious that I am being overcharged. The fairtraders, however, think that this is really the way the global economy would best be run. For them, up is down, and black is white, and "price-fixing" is "fair trade."

I say "price-fixing" because, as Victor Claar says, "Fair-trade agreements set a minimum price that coffee growers get paid for their coffee." Claar, an economics professor at Henderson State University in Arkansas, is the author of the 2010 book, *Fair Trade? Its Prospects as a Poverty Solution*.

In a recent interview with Marvin Olasky, Claar observed why this price-fixing is a bad idea. "I don't question the motives of fair-trade advocates, but at one coffee shop I knew well, fair-trade prices for a cup of coffee were uniformly 25 cents more than regular coffees. Out of that extra quarter at most two cents went all the way back up the supply chain, because making a cup of coffee does not require a lot of coffee.

"You might be better off buying the not-fair-trade coffee, paying 25 cents less, and sending it to a non-governmental organization that you know is doing really good work, especially work targeted toward the groups you are really passionate about helping."

Claar recommends Kiva.org (which lifts low-income individuals out of poverty through microfinance) as a great way to accomplish more for the poor with coffee savings. Claar explained to Olasky the problem with "fair trade" coffee:

"Coffee growing pays poorly because a lot of people can do it in many parts of the globe. It doesn't require a lot of human capital or a lot of tools.

"One unintended consequence of the fair-trade coffee movement is that it encourages people to persist in an employment that will never, ever, pay well. Fair-trade agreements may draw even more people into the coffee market. They don't afford people an opportunity to consider, 'What could I do in the longer term that will be of value to others in a lasting way?'"

In other words, "fair trade" unintentionally ends up setting a trap for the poor to stay poor.

Some fairtraders have gone ballistic because, in light of Claar (*The B.C. Catholic*, July 11), I interpreted the significance of a recent study from Germany's University of Hohenheim. The study concluded: "Over a period of 10 years, our analysis shows that organic and organic-fairtrade farmers have become poorer relative to conventional producers."

The fairtraders prefer personal attacks on me to fair debate about poverty solutions. They accuse me of "misrepresenting" the Hohenheim study, and they impute dishonesty to me. But healthy debate involves affirming the integrity of those with whom you have principled disagreements and, on that basis, seeking common ground. Yet they insist it is "irrelevant" whenever I cite Catholic social teaching.

Blessed John XXIII wrote in his landmark social encyclical *Mater et Magistra* on the Church's social doctrine: "When it comes to reducing these teachings to action, it sometimes happens that even sincere Catholic men have differing views. When this occurs, they should take care to have and to show mutual esteem and regard, and to explore the extent to which they can work in cooperation among themselves" (no. 238).

Pope Benedict XVI noted recently (May 16) that "upright and honest" Catholics may legitimately disagree on the best implementation of the Church's social teaching.

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