

2011

Making Free Trade Fair

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Recommended Citation

Hassoun, Nicole, "Making Free Trade Fair" (2011). *Philosophy Faculty Scholarship*. 7.
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Making Free Trade Fairⁱ

I. Introduction

Philosophers have done very little work on what makes trade fair. Perhaps the most extensive discussion is Malgorzata Kurjanska and Mathias Risse's paper, "Fairness in Trade II: Export Subsidies and the Fair Trade Movement."ⁱⁱ In their paper, Kurjanska and Risse consider the case for trade subsidies and the Fair Trade movement. They suggest that it is not permissible for developed countries to give their producers subsidies because doing so does not strike an appropriate balance between meeting the needs of the global poor while protecting domestic workers.ⁱⁱⁱ Kurjanska and Risse also argue that the case for Fair Trade hinges, primarily, on whether or not it is part of the best development strategy for poor countries. They do not think Fair Trade is part of the best development strategy and, so, they believe purchasing Fair Trade certified goods is only acceptable because doing so does not constitute a large share of the market in traded goods. This paper argues that the case against subsidies and Fair Trade Kurjanska and Risse present is much weaker than they make out. To the contrary, it argues that giving *some* subsidies and purchasing *some* Fair Trade certified goods may even be necessary to make trade fair. Section II starts by saying a few words about the normative framework Kurjanska and Risse adopt. Section III reviews their arguments. Section IV tries to show that Kurjansk and Risse have not provided the requisite evidence to make their case for free trade. Section V suggests that giving *some* subsidies and purchasing *some* Fair Trade certified goods may be morally required. Section VI concludes.

II. Fairness

Kurjanska and Risse want to know what makes trade fair. So, they consider the nature of fairness. On Kurjanska and Risse's account, fairness is a matter of distributive and/or procedural justice. There are many ways to assess distributions and procedures. Some distributions or procedures give everyone equal opportunity, maximize the amount of resources people possess, or minimize the amount harm or disutility in a situation. Fairness, however, is more specific than distributive or procedural justice. A concern for fairness is a concern for what people are due. Charity, Kurjanska and Risse specify, cannot be fair or unfair because no one is owed charity. Furthermore, they go on, fairness aims at appropriate satisfaction of

individuals' claims; we must know how to fulfill different individuals' claims appropriately to know what fairness requires.

There are many theories about what people are due and how to satisfy competing claims appropriately.^{iv} Utilitarians, for instance, believe that people have an equal claim to the satisfaction of their interests or the promotion of their welfare. Utilitarians believe appropriately satisfying interests requires maximizing collective (aggregated) well being. For utilitarians, "fairness talk supervenes on talk of aggregate utility."^v Deontologists (and other kinds of consequentialists) have more complicated theories. Often deontologists (and non-utilitarian consequentialists) provide complicated metrics for appropriately comparing individuals' competing claims.^{vi}

Kurjanska and Risse accept a deontological theory on which people have claims to the satisfaction of their needs, to what they are entitled, and to what they deserve. They suggest that, once we have a way of comparing desert-, need-, and entitlement-based claims, we should "satisfy claims within each category proportionately."^{vii} They do not give a general analysis of how to do this, however. Kurjanska and Risse only say that "one way of thinking of proportionality is to hand the object [that satisfies individuals' claims] to individuals for time periods proportionate to the strength of their claim[s]."^{viii} They indicate later that they assume a (statist) Rawlsian liberal egalitarian framework on which countries are obligated to ensure that their citizens all have equal opportunities and inequalities in the distribution of resources redound to the advantage of the least well off. They also imply that developed countries have some duties to the global poor that are quite demanding but do not provide a general way of balancing the claims of the global poor against the claims of developed countries' citizens. Let us assume here, however, that Kurjanska and Risse's claims about fairness are correct, insofar as they go, and turn to their arguments against subsidies and Fair Trade.^{ix}

III. Outline of Kurjanska and Risse's Argument

Subsidies

Kurjanska and Risse consider two arguments for subsidies: individual-claims-based and collective-preference-based arguments. On the individual-claims-based argument, producers may claim compensatory subsidies when they are harmed by free trade. They may claim protection from competition to maintain their chosen line of work. Suppose that, with free trade, French farmers cannot compete with

Thai farmers. On the individual-claims-based argument, French farmers can argue that their interests are being sacrificed for the aggregate and demand compensation for their losses.

Kurjanska and Risse think that the individual-claims-based argument fails because producers do not have a claim to subsidies within a Rawlsian liberal egalitarian framework. Rather, Kurjanska and Risse believe workers only have a claim to general economic support in times of need. They say that in very highly structured command-and-control economies the individual-claims based argument might go through. These highly structured states give their workers legitimate expectations of being able to continue in their particular line of work. In most countries, however, Kurjanska and Risse do not think workers can demand subsidies.

On the collective-preference-based argument for subsidies, countries should get to express their preferences by subsidizing the production of whatever goods they value. The French might, for instance, prefer “baguette from French grain, camembert from French cows, and foie gras from French ducks.”^x Subsidizing French farmers may be necessary to preserve French culture or to minimize the environmental costs of long distance transport. If the French are willing to accept the dead-weight losses these subsidies bring, they might insist that the subsidies are acceptable.^{xi}

Kurjanska and Risse do not believe that the collective-preference-based argument for subsidies is any more successful than the individual-claims-based argument. They argue that the (moral) losses to non-producers from subsidies may outweigh the gains to producers.^{xii} In particular, Kurjanska and Risse claim that if free trade is essential for growth and development, “trade-liberalization becomes mandatory for developed countries.”^{xiii} As long as poverty alleviation “bears more weight than cultural preservation... attempts at preservation ought not to be trade-distorting.”^{xiv} If, for instance, the French want to support their farmers, they have to use non-trade distorting measures.^{xv} Kurjanska and Risse think this is a good way of balancing (proportionately) citizens’ claims against the claims of the needy.^{xvi} Perhaps this is because distortions usually result in net losses and Kurjanska and Risse think 1) the gains we will see by using non-distorting measures will generally accrue to the needy and 2) non-trade distorting measures will protect citizens’ most important interests, even if some workers have to switch industries.

Very likely, Kurjanska and Risse would also object to subsidies not intended to 1) help the poor or 2) meet other moral objectives. For, in the companion article to “Fairness in Trade II: Export Subsidies and the Fair Trade Movement,” Risse explicitly rejects protectionist subsidies that are ill intentioned.

Kurjanska and Risse think their arguments support some of the current rules of trade embodied in the World Trade Organization (WTO). In particular, Kurjanska and Risse believe the WTO is right to reject export subsidies but accept other kinds of producer support.^{xvii} Kurjanska and Risse recognize that some export subsidies may harm poor producers by increasing low-price competition for their products but they point out that this can have compensating advantages for the poor. The French may, for instance, subsidize technological research intended to benefit French farmers that benefit poor Thai farmers too.

Kurjanska and Risse also recognize that the growth free trade brings may benefit some poor people more than others. If, for instance, agricultural trade is liberalized, many poor net food importing countries may do worse because they have to pay higher prices for food.^{xviii} Hence, Kurjanska and Risse conclude, there is reason to redistribute the benefits of free trade. Kurjanska and Risse think that such redistribution will be difficult because there are so many countries trading with each other and, so, do not suggest any practical way of doing so.

Fair Trade

In the second half of “Fairness in Trade II: Export Subsidies and the Fair Trade Movement” Kurjanska and Risse consider the case for purchasing Fair Trade certified products. To qualify as Fair Trade certified, laborers must be paid prices or given wages “sufficient to make a living.”^{xix} Often producers also receive financial and technical assistance, price support, and loans.^{xx} “In respect to products largely grown by small farmers, price is the concern. If the product is grown on large estates, the focus falls on wages and working conditions.”^{xxi} Finally, Fair Trade goods may have to be made in good working conditions in an environmentally sustainable way.^{xxii}

As with arguments for subsidies, Kurjanska and Risse object to both individual-claims-based and collective-preference-based arguments for Fair Trade. On the individual-claims-based arguments for Fair Trade producers have a claim to Fair Trade standards when they are harmed by free trade. Poor producers might argue, for instance, that free trade makes it difficult for them to secure a living wage or decent working conditions and request compensation.

Kurjanska and Risse argue, however, that consumers should be concerned about whether or not Fair Trade is the best development strategy for poor countries, not whether it helps poor producers. They are not as clear as one might like about the relationship that must obtain between Fair Trade and development. It is pretty clear, however, that they think Fair Trade purchases can generally be justified *only if* they are part of the best development strategy. They say “the challenge for Fair Trade advocates remains that theirs may not be the most promising development strategy.”^{xxiii} Fair Trade may not work, for instance, in oppressive regimes; a better way to help poor people may be to work to end the oppression. Furthermore, Kurjanska and Risse think that Fair Trade may not be the best development strategy because it may induce poor people to specialize in ways that are not in their long term interests. To support this point, they offer the case of Costa Rica. Costa Rica successfully promoted development by moving away from producing goods associated with Fair Trade. They say that:

In Costa Rica a focus on new exports and eco-tourism allowed for diversification away from coffee and bananas. The export share of non-traditional products rose from 38.6% in 1982 to 87% in 2003. Consumers who would have supported Fair Trade with regard to coffee and bananas in Costa Rica would have resisted a shift that *in the long run* turned out for the better. (One may even argue that providing opportunities for farmers to transition out of farming improved the lot of those who entered a new more profitable and less volatile sector. Moreover, by decreasing production of bananas, it increased returns for those who retained their business. It can be asserted that by providing aid and higher than market price returns to those who can obtain its label, it simultaneously provides incentives for others to continue in or even enter an unprofitable market with hopes to gain access to the limited Fair Trade market.)^{xxiv}

Kurjanska and Risse believe Fair Trade may be acceptable under some conditions. It might, for instance, be help address injustices that primarily make producers worse off. Alternately, Fair Trade may be acceptable if there is nothing better we can do for a country – if, for instance, we cannot help a country’s workers transition into a better industry. But Kurjanska and Risse do not think Fair Trade can *generally* be justified.

On the collective-preference-based argument for Fair Trade, people should be free to make their own purchasing decisions and express their preferences for some goods over others. People should get to choose Fair Trade certified over regular goods because Fair Trade goods are different than regular goods. The thought is that Fair Trade goods are produced in a different, more ethical, way than otherwise equivalent regular goods; and, because the process of production is part of the product, Fair Trade goods are not the same as regular goods. On the collective-preference-based argument, consumers should be free to purchase Fair Trade goods that are not made under duress or in terrible working conditions.^{xxv}

Kurjanska and Risse are not convinced. They do not think Fair Trade bananas are really different from regular bananas because they have different moral characteristics.^{xxvi} Furthermore, they think that, although the Fair Trade certified banana-production processes may be fairer, purchasing Fair Trade bananas may lead to a less fair world over time. Consumer choice is not more important than pursuing the best development strategy for the poor.

In short, Kurjanska and Risse do not think purchasing Fair Trade certified goods is part of the best development strategy. So, they conclude that it is only permissible to buy Fair Trade certified goods because there is no reason to think purchasing Fair Trade goods will have a real impact in any case; Fair Trade does not have a large enough market share to matter.^{xxvii}

IV. Critique of Kurjanska and Risse's Argument

This section takes issue with Kurjanska and Risse's arguments against (most) subsidies and Fair Trade. It does not question Kurjanska and Risse's claim that liberalization promotes growth and development. Nor does it question Kurjanska and Risse's claim that developed countries are obligated to give priority to helping poor countries develop. Rather this section questions Kurjanska and Risse's argument that free trade is not part of the best development strategy. When Kurjanska and Risse talk about subsidies, their argument rests on some undefended empirical claims about the growth and incentive effects of free trade vs. different kinds of subsidies. The data does not support their case -- even subsidies that are not backed by the best intentions may be part of the best development strategy. When Kurjanska and Risse talk about Fair Trade, they only provide theoretical reason to think that Fair Trade is not part of the best development strategy. Theoretical argument cannot make this case, empirical evidence is necessary; it is possible to give a theoretical argument for Fair Trade being part of the best development strategy as strong as the argument against this conclusion Kurjanska and Risse offer. So, since Kurjanska and Risse do not provide the requisite empirical evidence to show that (most) subsidies and Fair Trade are not part of the best development strategy; they have not made their case for free trade.

Before beginning, however, it is worth noting a general problem with Kurjanska and Risse's arguments. A Rawlsian framework does not apply to policies (let alone consumer choice!) directly but to institutions.^{xxviii} There are significant problems for trying to evaluate policies in isolation using a Rawlsian framework.^{xxix} Even if a state's policy seems to maximize the position of that state's least well off subjects, a

different policy might bring greater gains to these subjects if background policies are changed. Even policies that seem to harm the least well off may be required because they, in combination with a different set of policies maximize the position of the least well off. The relevant analysis is probably too complicated to carry out. This provides one reason to think that it is hard, if not impossible, to figure out what the best development strategy is in general. Hopefully this will become clear below. But the following arguments should stand alone, even if this worry can be averted.^{xxx}

Subsidies

Kurjanska and Risse do not specify exactly what they intend to count as a subsidy. In the economic literature many kinds of governmental support to a producers count as subsidies.^{xxxi} But because Kurjanska and Risse end up defending something like the WTO's policy on subsidies we might begin by reflecting on what the WTO says about subsidies. The WTO specifies that "there are two general types of subsidies: export and domestic. An export subsidy is a benefit conferred on a firm by the government that is contingent on exports. A domestic subsidy is a benefit not directly linked to exports."^{xxxii} As we have already seen, Kurjanska and Risse seem to be most concerned about export subsidies because they believe these subsidies are more trade distorting than other kinds of domestic producer support. So, in responding to their arguments this section will focus primarily on showing that some export subsidies are acceptable. The arguments below should also apply more broadly, however.

There are a few reasons why the subsidies Kurjanska and Risse reject may be acceptable. First, Kurjanska and Risse do not provide the requisite evidence to show that because free trade "plays a crucial role for growth" and development, "trade-liberalization becomes mandatory for developed countries."^{xxxiii} Second, Kurjanska and Risse do not provide the requisite evidence to show that the subsidies they reject are more trade-distorting than the subsidies they prefer. Third, even if the subsidies Kurjanska and Risse reject are more trade distorting than those they prefer, the subsidies they reject may be the most effective way to help poor countries develop in our non-ideal world. Let us consider each of these points in turn. We will then provide a further argument to show that the subsidies Kurjanska and Risse reject may (1) have a role to play in ensuring that compensation is provided to poor losers from liberalization even if (2) they are not backed by the best intentions. Although concern for the poor may function as a cover for subsidies that do not benefit (or even harm) the poor, institutional mechanisms might prevent such abuse. This final

argument may indirectly help support the claim that the subsidies Kurjanska and Risse reject may be the most effective way to help poor countries develop in our non-ideal world.

Recall that Kurjanska and Risse start by assuming a Rawlsian liberal egalitarian framework on which developed countries are obligated to give priority to helping poor countries develop.^{xxxiv} They then note that there is a good deal of evidence that free trade “plays a crucial role for growth as well as for other desirable goals of development, such as those listed as the U.N. Millennium Goals.”^{xxxv} Kurjanska and Risse cannot, however, conclude from this, as they try to do, that “trade-liberalization becomes mandatory for developed countries.”^{xxxvi} Trade may lead to growth in many ways. Some ways of increasing growth may help poor countries and the poor within them, others do not.^{xxxvii} Countries can grow, for instance, if only the rich become better off.^{xxxviii} Similarly, although free trade probably does help some countries meet other important development goals, Kurjanska and Risse must show more than this. To show that free trade is *required* of developed countries, they must argue that free trade is the best way of meeting these goals; they must show that it is not better to allow some of the subsidies they reject. Free trade may not be the *best* way of helping poor countries develop.

Kurjanska and Risse suggest that states should protect their citizens against the fortitudes of the market with production subsidies because production subsidies are not trade-distorting, while most other subsidies distort trade and result in net losses. They do not defend their claim that production subsidies are not trade-distorting while most other subsidies distort trade and result in net losses. And there is little reason to believe this. Some argue, for instance, that many of the subsidies that are legal under the WTO, including those Kurjanska and Risse prefer, are trade-distorting and, more to the point, some argue that the subsidies Kurjanska and Risse prefer are bad for the poor.^{xxxix} These subsidies may even be worse for the poor than the subsidies Kurjanska and Risse reject. Some of the subsidies Kurjanska and Risse are objecting to may be no more distorting than production subsidies and, even if the subsidies Kurjanska and Risse reject do result in a net loss, they may not only help rich workers but may be the best way to help the poor. In our imperfect world, the needy may gain more from distortions than they would gain from unrestricted free trade^{xl} (and distortions may not make it more difficult for countries to protect their citizens against the fortitudes of the market). What kinds of market reforms are best probably depends on a variety of factors. It may matter, for instance, how easily employers can substitute one kind of labor (e.g. high skill) for another

(e.g. low skill) in the production process.^{xli} And, there is even evidence that, under some conditions, export subsidies can be more efficient than the production subsidies Kurjanska and Risse seem to prefer.^{xlii}

Furthermore, even if the subsidies Kurjanska and Risse reject are the most trade-distorting, and trade-distorting subsidies are rarely one of the best ways to help poor countries develop in theory, we do not live in a perfect world. There may be reasons of political economy to use such subsidies rather than other market reforms to help these countries.^{xliii} It may be easier, for instance, to get developed countries or corporate producers to reduce poverty through the threat of export subsidies than through taxes or other market reforms. There may even be some cases where the only realistic way to reduce poverty is to threaten to use trade-distorting subsidies to get countries to stop decimating their populations or ignoring the basic needs of their citizens. Such threats may be essential in getting some countries to agree to international development treaties, for instance. There may also be few other ways to punish those who do not live up to their commitment not to harm the poor.^{xliv}

None of this means that allowing the subsidies Kurjanska and Risse reject *will* more effectively help the poor than only allowing the subsidies Kurjanska and Risse prefer. It is entirely possible, for instance, that only allowing the subsidies Kurjanska and Risse prefer may be best for the poor even if there are some costs to allowing those subsidies.^{xlv} The point is just that Kurjanska and Risse have not given us any reason to think that it is best to only allow the subsidies they prefer. In the absence of (extremely difficult, if not impossible, to collect) empirical evidence about what actually *best* fulfills our moral obligations, liberal egalitarians have no reason to reject all export subsidies but allow other kinds of producer support. Export subsidies may sometimes be required. Other kinds of producer support may sometimes be unjustifiable. Kurjanska and Risse have not made their case against the subsidies they reject. Liberalization may not be mandatory and (even trade-distorting) subsidies may sometimes be appropriate. So, it is not clearly acceptable for the WTO to generally reject export subsidies but allow other kinds of producer support.

It is possible to put the point in a way that Kurjanska and Risse might find more appealing. Kurjanska and Risse suggest that we need to make sure that whatever free trade occurs brings fair benefits to the poor. They note that the growth free trade brings may benefit some more than others and may even cause some problems for the poor. They suggest, for instance, that we must ensure that even net food

importing countries benefit from free trade for trade to be fair. As Kurjanska and Risse intimate, one possibility is to use some of the gains from trade amongst WTO member countries to *compensate* the poorest countries when they are hurt by free trade. But the subsidies Kurjanska and Risse reject may be the best way to compensate poor countries.

One way to make sure trade benefits the poor is to restructure the rules of global trade so that they *proactively* reduce poverty. Christian Barry and Sanjay Reddy argue, for instance, that trade liberalization and agreements to improve labor standards and wages in developing countries should be linked.^{xlvi} At least, they argue, linkage may be a good idea if it “...arises from a fair process of negotiation between states, is transparent and rule-based, is applied in a manner that reflects the level of development of a country, incorporates adequate international burden-sharing, and takes appropriate account of viewpoints within each country.”^{xlvii} Their arguments are cogent and compelling.^{xlviii} Linkage may rely on the threat of trade policies (including the subsidies) that Kurjanska and Risse reject to get countries to stop violating labor and wage standards.^{xlix}

So, one might conclude, subsidies intended to help the global poor, whatever their nature, are only justifiable if they are part of the best development strategy. But, I do not think this goes far enough. Subsidies should not be prohibited just because they are *intended* to be protectionist. Although Kurjanska and Risse would probably object to this claim, what matters, primarily, is what works.¹

Perhaps Kurjanska and Risse could argue against ill-intentioned subsidies, in particular, as follows. Kurjanska and Risse might note that people may disingenuously cite poverty alleviation (appropriately balanced against the needs of domestic trade-displaced workers) as a reason for protectionist measures. Producers or consumers seeking protection from competition may take advantage of well-intentioned concern about poverty to gain economic benefits for themselves. Ethanol producers might, for instance, cite worries about the food security of net food importing countries as a reason for subsidizing US corn production.ⁱⁱ So, Kurjanska and Risse might conclude that ill intentioned subsidies are impermissible.

This is not compelling. Some collusion between self-interested producers or consumers and those who genuinely care about world poverty may not be bad. It may be possible to build coalitions of those who care about the global poor and those seeking protection (this is likely as the groups are not mutually exclusive).ⁱⁱⁱ It may then be possible to adopt appropriate trade policy more quickly. If the global poor will

benefit appropriately from keeping corn prices low, it may be acceptable for ethanol producers to try to secure subsidies. The best development strategy may allow ill intentioned subsidies.

Still, it is clear that there may be a problem. Concern for the poor may function as a cover for subsidies that do not benefit (or even harm) the poor. Low corn prices may not even help those who are currently poor in aggregate and the environmental effects of ethanol may be devastating for poor people in future generations. Advocates of the poor may even be fooled into supporting such harmful subsidies.

Fortunately, there are a few ways we might address this problem. One is through the dispute resolution panels of international trade agreements like the WTO. These panels may develop standards for judging whether subsidies will actually reduce poverty appropriately (in light of the needs of trade-displaced workers). If proposed measures to benefit the poor do not benefit the poor appropriately then, unless there is another reason to implement such measures, they should be prohibited.^{liii} Educating those who care about the poor so that they will not be fooled into supporting inappropriate trade policies may also help prevent such exploitation. Of course, it is risky to allow ill intentioned subsidies. But, the fact that such protectionism can hurt the poor does not tell against allowing even ill-intentioned subsidies when they best promote development.

Trade-liberalization is not mandatory for developed countries even if it promotes growth and development and developed countries are obligated to give priority to helping poor countries develop. Contra Kurjanska and Risse, allowing even ill-intentioned subsidies may even be the best way of ensuring that the poor benefit fairly from trade.

Fair Trade

Many of the above points regarding subsidies also apply to Kurjanska and Risse's arguments against Fair Trade. So, this subsection will not reiterate them. Rather, it will raise some additional concerns about Kurjanska and Risse's arguments.^{liv} In some respects, Kurjanska and Risse's argument against Fair Trade is stronger than they make out. Kurjanska and Risse suggest that it is permissible to buy Fair Trade if there is no reason to think it will have a large negative impact on the poor. Fair Trade is not big business. Sales of Fair Trade coffee, for instance, total only 87 million dollars a year which is a fraction of the world trade in coffee.^{lv} So, they conclude, it is only permissible for people to purchase Fair Trade certified goods (from a first person perspective) because the potential harm from purchasing Fair Trade certified goods is

minimal and doing so benefits someone immediately. Kurjanska and Risse's argument on this point is not compelling from a Rawlsian liberal egalitarian perspective, however. Although Fair Trade goods make up a small proportion of all traded goods, purchasing Fair Trade could hinder development and, if so, Rawlsian liberal egalitarians should believe it is impermissible to purchase these goods. If Fair Trade is not part of the best development strategy for the poor, it is unacceptable.

Kurjanska and Risse suggest that Fair Trade is not part of the best development strategy because people may be induced to specialize in ways that do not support their long term interests. To arrive at this conclusion Kurjanska and Risse do not cite rigorous empirical evidence. Instead they posit a counterfactual hypothesis about how Fair Trade would have impacted Costa Rica. But even if Costa Rica is better off than it would have been had it embraced Fair Trade that cannot show that Fair Trade is generally worse than free trade for the poor. Costa Rica may be an exception, most other countries that increase their Fair Trade markets may benefit.

Furthermore, it is easy to construct a compelling theoretical argument for the conclusion that Fair Trade will make some poor people better off without making any of them worse off. It is even possible to give a theoretical argument that purchasing some Fair Trade certified goods is part of the best development strategy.

Consider, first, how Fair Trade might make some poor people better off without making any of them worse off. In particular, consider how a consumers' buying Fair Trade bananas (for instance) is always better for the poor than buying non-Fair Trade bananas. To make this argument, let us (1) make the standard economic assumptions^{lvi} and assume that (2) some of the profit from making Fair Trade rather than regular bananas is passed on to the poor, (3) consumers do not change the amount of bananas they purchase, and (4) consumers will continue to buy Fair Trade bananas into perpetuity.^{lvii}

Suppose a consumer will either purchase bananas from a Fair Trade source for (say) \$2 a bag or non-Fair Trade source for \$1 a bag. If the consumer buys from a Fair Trade source the poor people who receive her money would, without her money, either have gone out of business or not. If the poor people she supports would otherwise have gone out of business they would have either gone into a more profitable business (than the regular banana business) or not. If not, then the consumer has benefited them. If the poor people the consumer supports would have otherwise gone into a more profitable business (say sugar) then

they have done better to make Fair Trade bananas, otherwise they would have gone into sugar.^{lviii} The poor people this consumer supports are, thus, better off with Fair Trade.

The only problem arises if, after the consumer starts buying Fair Trade, she 1) stops buying Fair Trade or 2) buys fewer bananas total. Suppose she buys the same amount of bananas but only buys Fair Trade for a while before reverting to normal bananas. When she buys Fair Trade she creates an incentive for farmers to produce Fair Trade bananas. When she stops buying Fair Trade certified bananas, however, the Fair Trade farmer she was supporting may do worse. It depends on whether this farmer, losing business, reverts to normal practices, goes over to sugar, or is unable to transition and ends up out of business altogether. Perhaps in the interim a better opportunity than sugar has arisen (say, tourism). Everyone, including the farmer who grows the consumer's Fair Trade bananas for a while, may be better off.

Suppose that, instead, the consumer buys fewer bananas. Then the consumer supports fewer people. Before switching to Fair Trade, she might have spent two dollars a week on bananas and supported two farmers who each make one bag a week. If she only buys one bag of Fair Trade bananas instead (because, say, she only wants to spend \$2 on bananas) then the Fair Trade farmer does better, but the other farmer may lose all income. This will not happen in all circumstances, though. Suppose, for instance, that, with the decline of the normal banana business, there is only room for one farmer to profit by moving into sugar. If the consumer starts buying Fair Trade, the poor farmer who chooses to make Fair Trade bananas because it is his or her best option, might otherwise have gone into sugar. But, if so, that farmer benefits – otherwise the farmer would make sugar instead. Furthermore, there is now room for the banana farmer who would otherwise have been stuck making regular bananas to profit by moving into sugar. Both of the farmers the consumer supports before purchasing Fair Trade benefit.

Of course, if the consumer does not buy fewer bananas, the extra money the consumer spends on Fair Trade bananas must come from somewhere. If the consumer stops buying papayas from an equally poor person she may harm some poor people while helping other poor people by buying Fair Trade. If, instead, the consumer just works a bit harder to get the extra money she needs, or stops purchasing something that only impacts rich people then the net impact of her action may be good for the poor.

In any case, if this argument's assumptions hold and consumers continue to buy the same amount of Fair Trade certified goods into perpetuity, consumers may not harm the poor and will benefit some by

purchasing Fair Trade.^{lix} Fair Trade farmers will do better and some of the normal farmers may even be able to transition into sugar. (Though, of course, consumers might be able to help the poor more with the money they use to buy Fair Trade bananas). If there is no better way to help the poor, purchasing some Fair Trade bananas may be part of the best development strategy.

But we can go further. Purchasing some Fair Trade certified goods might even be part of the best development strategy (on Kurjanska and Risse's somewhat vague Rawlsian account). Fair Trade might, for instance, help bring about a general increase in production standards. If bananas have to be Fair Trade certified to compete, for instance, that would greatly improve many poor peoples' lives. So, even on Kurjanska and Risse's account, Fair Trade might be morally required.

Now Kurjanska and Risse would probably point out that, in reality, markets are not perfect. So, despite the theoretical possibility outlined above, Fair Trade may actually induce people to specialize in ways that do not support their long term interests. Given the transition costs, farmers who start producing Fair Trade goods may not be able to stop producing them and move into more profitable industries if demand for Fair Trade goods eventually falls or better opportunities arise.^{lx}

But if this is Kurjanska and Risse's idea, then they must agree that what we really need to decide the issue is more empirical evidence. And, even if they would not respond in this way, it should be clear that such evidence is necessary. It is much too easy to come up with speculative theoretical arguments for and against Fair Trade. But Kurjanska and Risse do not provide any empirical evidence. So Kurjanska and Risse cannot conclude that Fair Trade is not part of the best development strategy for the poor. Of course, Kurjanska and Risse might be right that Fair Trade is not part of the best development strategy. But they have not made this case. As with subsidies, we probably lack the information necessary to determine whether Fair Trade is the best development strategy. Without this information, Kurjanska and Risse's argument is much weaker than they make out. The next section will go further, however, to argue that giving some of the subsidies Kurjanska and Risse reject and purchasing some Fair Trade goods may even be morally required.

V. Deciding About Development in the Absence of Good Evidence

So far, this paper has suggested that Kurjanska and Risse's arguments are not as strong as they make out. Their arguments do not show that trade-liberalization is mandatory. Perhaps Kurjanska and Risse

do not offer the requisite evidence that their preferred strategy is best because it would be very difficult, if not impossible, to figure out what the best development strategy is in general. It is possible to argue, however, that in the absence of empirical evidence making Kurjanska and Risse's case, it is morally acceptable to give some of the subsidies they reject (henceforth, simply, *subsidies*) and purchase some Fair Trade certified goods. For, this section will suggest that when we disaggregate the effects of subsidies and Fair Trade, there is reason to believe that purchasing *some* Fair Trade certified goods and giving *some* subsidies can help the poor. Let us consider the case for purchasing some Fair Trade goods first because it requires the most argument.

Fair Trade

Recall the claim underlying many of Kurjanska and Risse conclusions: Fair Trade is morally acceptable only if it is part of the best development strategy. If it is possible to do so, we should probably try to figure out whether purchasing any Fair Trade certified goods is part of the best development strategy. But it is very difficult if not impossible to determine what the best development strategy is in general. Hence, the fact that we do not know that a strategy is best is not a reason against pursuing it. If, on the other hand, we have reason to think a strategy will help some poor people and do not have reason to think the strategy will harm more than help the poor, there is reason to use that strategy. Such a strategy may even be morally required.

Although the picture is not always rosy and Fair Trade may sometimes fail to improve incomes, for instance, there is evidence that Fair Trade can bring many benefits to poor people in developing countries.^{lxi} As one Fair Trade coffee farmer reported:

Before, life was very hard for us, mainly because we could never get a decent price for our coffee. Now we have our own export co-op, and we sell to the Fair Trade market. Fair Trade gives us a fair price and access to credit. It also gives us dignity. We are treated as equals.^{lxii}

Empirical research supports this contention. Impact assessments of Fair Trade projects suggest that they benefit the poor by raising prices for Fair Trade goods.^{lxiii} In "Assessing the Potential of Fair Trade for Poverty Reduction and Conflict Prevention: A Case Study of Bolivian Coffee Producers" Sandra Imhof and Andrew Lee use quantitative and qualitative data to argue, for instance, that Fair Trade coffee producers make more than their competitors.^{lxiv} Others also claim that those who participate in Fair Trade projects receive higher, less variable prices, credit, and training.^{lxv} In *One Cup At A Time: Poverty Alleviation And*

Fair Trade Coffee in Latin America Murray et. al. suggest, for instance, that participation in Fair Trade networks helps farmers throughout Latin America secure all of these things.^{lxvi} The higher prices they can secure with Fair Trade can help the poor in many ways. They may simply help farmers make ends meet. In “Confronting the Coffee Crisis: Can Fair Trade, Organic, and Specialty Coffees Reduce Small-Scale Farmer Vulnerability in Northern Nicaragua?” Christopher Bacon argues that participating in a Fair Trade network helps coffee farmers in Nicaragua reduce their vulnerability to the coffee crisis.^{lxvii} He reports that the Fair Trade farmers in his sample are four times less likely to lose their land than traditional farmers.^{lxviii} In “Revaluing Peasant Coffee Production: Organic and Fair Trade Markets in Mexico,” Muriel Calo and Timothy A. Wise use theoretical models along with survey data to argue that Fair Trade farmers they studied end up better off than those who turn to organic production alone.^{lxix} Other researchers suggest that Fair Trade farmers do better in part because they have more access to credit, training, and support programs.^{lxx}

There is even evidence that farmers participating in Fair Trade programs are better able to educate their children^{lxxi} and meet their basic needs for things like food, water, and housing.^{lxxii} As another Fair Trade farmer put it:

The higher price we get when we sell coffee to Cafedirect means that now our cooperative can afford to pay a doctor who will give treatment to our members. For myself, the price difference has meant I can afford more food for my family and send my children to school properly equipped with pens and notebooks for the first time.^{lxxiii}

In short, there is evidence that Fair Trade often helps poor people in developing countries increase their incomes, meet their basic needs, reduce their vulnerability in times of crisis, and retain their farms.^{lxxiv}

Yet other researchers suggest that there other benefits of participation in Fair Trade organizations.^{lxxv} As the European Fair Trade Association puts it:

[t]he producer-fair trader relationships usually go beyond just selling and buying, and can include the joint development of new products or product lines, the adaptation of products to European fashions, gaining access to new marketing channels, raising investment or working capital and strengthening or expanding the producer organization.^{lxxvi}

As Laura Reynolds reports in “Poverty Alleviation Through Fair Trade Coffee Networks: Existing Research and Critical Issues,” participating in Fair Trade programs can help farmers develop their organizational capacities within cooperatives.^{lxxvii} Or, as another Fair Trade farmer reports: “We have gained a much better knowledge of the international market and of course the price is better.”^{lxxviii} Studies

also suggest that Fair Trade organizations enhance the capacity of participating cooperatives to market their goods^{lxxxix} and have other positive effects on producers because it helps them organize.^{lxxx} In “Coffee, Cooperatives and Competition: The Impact of Fair Trade,” for instance, Anna Milford uses a theoretical model and case study evidence to argue that the Fair Trade premium helps cooperatives maintain cohesion and use collective bargaining power to destabilize cartels and secure higher prices for farmers’ products. Milford suggests that these co-operatives not only improve welfare by providing education and credit services but by giving farmers essential information and lobbying power.^{lxxxi}

The studies of Fair Trade’s impact discussed above are, of course, open to criticism. In “Introduction: *Impact Evaluation in Official Development Agencies*,” Howard White and Michael Bamberger argue, for instance, that many impact evaluations suffer from *selection bias* (the bias that results from differences between the treatment and the comparison groups). Such evaluations may fail to isolate the cause of Fair Trade farmers’ success.^{lxxxii} They may fail, for instance, to consider whether those who participate in Fair Trade programs are generally better off than those who do not.

Nevertheless, Fair Trade impact evaluations are becoming more sophisticated all of the time. Some of the best are quasi-experimental.^{lxxxiii} A recent study commissioned by the Center for International Development Issues in the Netherlands is particularly comprehensive containing eight case studies looking at Fair Trade in different commodities in different places. Quasi-experimental studies help test the causal efficacy of Fair Trade programs to help insure a study’s *internal validity*. A study of a Fair Trade program’s efficacy has high *internal validity* when it captures the causal relationships between the particular aid program being evaluated and the particular outcome observed (no matter how unique the circumstances of the study). Unlike *experimental* studies, *Quasi-experimental* studies do not try to insure internal validity by randomly assigning people (or other units of analysis) to treatment groups (e.g. those participating in a Fair Trade program) and comparison groups (e.g. those not participating). Instead, researchers try to minimize selection bias in other ways.

An example will help illustrate the advantages and limitations of quasi-experimental studies. Suppose we want to evaluate a Fair Trade program to see if it decreases infant mortality. If farmers or researchers decide who gets to participate, there may be a selection bias. Participants may generally be richer than non-participants and, so, have better access to health care and lower infant mortality rates to

begin with. Even if participants have lower infant mortality rates than non-participants, researchers will not know if the program was successful.

Using a quasi-experimental method may help. Consider a simple version of *propensity score matching* (as the Center for International Development Issues studies used a variant of this method). With propensity score matching, researchers select a Fair Trade program and another cooperative or group of people who are as similar as possible to those in the program. Next, researchers see how people fare, on average, in the two groups.

To account for differences between those in the groups that are not explained by the Fair Trade program researchers create “balancing scores” to try to maximize the probability that participants will be relevantly similar to non-participants. Researchers do *propensity score matching*. They look at individuals’ observable characteristics (e.g. land holdings, wealth, health status and gender) that might impact program results. On this basis, they try to figure out what each individual’s probability of participating in a Fair Trade program would be. The treatment and comparison groups are then made up of people whose estimated probabilities of participating are as similar as possible.

In the Center for International Development Issues’ study, the researchers used a Probit model to look at the variables influencing participation in Fair Trade programs. They used economic theory, previous research, and information about the particular setting to build the model. Researchers compared participants’ outcomes to those expected to be most similar to them.^{lxxxiv} Then, researchers ran regression analyses to see whether participation in Fair Trade organizations had a significant impact on productivity, access to health insurance, credit and so forth.^{lxxxv} They found that the Fair Trade programs they studied generally increased participants’ food consumption and access to credit. On average, participants made more housing, land, and educational investments than those in the non-Fair Trade comparison group.^{lxxxvi} Researchers found that participants were also more willing to accept risk and invest in the future – behaviors many argue are essential for escaping poverty.^{lxxxvii} Notably, some of the studies even tested for regional affects of Fair Trade. They found general increases in market prices and wages once Fair Trade standards made up a significant portion of the market.

Similarly, in “Does Consumption Help Education? The Effect of Fair Trade on Producers' Income and Schooling Decisions,” Leonardo Becchetti uses relatively sophisticated econometric analysis to control

for selection bias. He suggests that compared with non-Fair Trade farmers, Fair Trade farmers have greater bargaining power with intermediaries, receive higher prices, have better production systems, are happier with the prices they can secure, and have better nutrition and living conditions as well as lower child mortality.^{lxxxviii} Becchetti also argues that non-Fair Trade farmers can benefit from nearby Fair Trade projects.^{lxxxix}

The fact that some of the most rigorous studies suggest Fair Trade's regional effects can be positive, provides some evidence against Kurjanska and Risse's claim that Fair Trade will have indirect negative impacts on non-Fair Trade producers.^{xc} Although Fair Trade *may* have negative impacts, it is not guaranteed to do so. Nor have we discovered any evidence that Fair Trade programs generally have negative impacts.

Although Fair Trade will not help everyone it can certainly benefit some. So, in the absence of evidence that Fair Trade will harm the poor more than it will help them in all cases (I know of no such evidence), there is reason to purchase *some* Fair Trade certified goods. Purchasing some Fair Trade certified goods (from those projects which do not harm the poor more than they help the poor) may even be morally required. This conclusion can be strengthened if, as Kurjanska and Risse implicitly admit in responding to the collective-preference-based argument for Fair Trade, the production processes consumers support when they purchase Fair Trade certified goods are fairer in themselves than the production processes consumers support when they purchase regular goods.

Subsidies

Finally, we can provide a similar argument for giving some subsidies. We do not know which, if any, subsidies are part of the best development strategy. If it is possible to do so, we should probably try to figure out which, if any, subsidies are part of this strategy. In the absence of this very difficult (if not impossible) to collect information, however, Kurjanska and Risse should agree that developed countries have reason to give *some* subsidies. After all, Kurjanska and Risse implicitly agree that some rich country subsidies probably help some poor people and there is compelling evidence for this conclusion.^{xcⁱ} As they note, if we liberalize trade in agricultural goods (reducing developed country export subsidies), net food importing countries will probably have to pay higher prices for food and, if so, will probably do worse.^{xcⁱⁱ} Many of these countries are poor.^{xcⁱⁱⁱ} Liberalizing trade in Southern Africa's staple commodities, for

instance, would probably be devastating for many countries in Southern Africa as many of these countries are net food importers.^{xciv} So, *some* of the current (e.g.) export subsidies probably redound to the advantage of the poorest in these net food importing countries.^{xcv}

Kurjanska and Risse might object that there is a great deal of evidence that “the *aggregative* importance of trade for development” is large.^{xcvi} Restricting free trade by offering even some subsidies may hurt the poor. Subsidies may not be part of the best development strategy.

Kurjanska and Risse cannot rest their case for subsidies on the claim that “the *aggregative* importance of trade for development” is large.^{xcvii} This claim cannot show that *some* subsidies are not part of the best development strategy.^{xcviii} To reach the conclusion that all subsidies are impermissible, Kurjanska and Risse would also have to defend the proposition that, everything considered, having some subsidies will be worse than having none at all. They do not provide this evidence.^{xcix} Otherwise, given that we have evidence that some subsidies can do some good, there is reason to give *some* subsidies.^c Giving *some* subsidies may even be morally required.^{ci}

IV. Conclusion

This paper has taken issue with the main philosophical argument against trade-distorting subsidies and Fair Trade in the literature. Contra Kurjanska and Risse, it suggested that trade-liberalization is not mandatory for developed countries even if it promotes growth and development and developed countries are obligated to give priority to helping poor countries develop. Giving some subsidies may be an acceptable way to help the poor. Similarly, it may be a good thing if people purchase some Fair Trade certified goods. Finally, this paper argued that giving *some* subsidies and purchasing *some* Fair Trade certified goods may even be morally required. Very roughly, it suggested that it would be very difficult, if not impossible, to figure out what the best development strategy is, in general. So, the fact that we do not know that a particular development strategy is best is not a reason against pursuing it. We have reason to think giving *some* subsidies and purchasing *some* Fair Trade certified goods will help some poor people and that Fair Trade is fairer in itself.^{cii} We do not have reason to think giving some subsidies and purchasing some Fair Trade certified goods will harm the poor more than it will help the poor. So, if this argument goes through, there is reason to give some subsidies and purchase some Fair Trade certified

goods. We may even be obligated to do so. But, even if this final argument does not go through, the case against subsidies and Fair Trade Kurjanska and Risse present is much weaker than they make out.

i I owe many thanks for comments not only on this paper but to those who helped me with the papers I needed to write in order to write this one so this acknowledgement will surely remain incomplete. That said, I would like to thank Darrel Moellendorf, Gillian Brock, Mathias Risse, Thomas Christiano, Michael Gill, Jerry Gaus, Allen Buchanan, Geoffrey Brennan, Leif Wenar, Bill Oberdick, Jason Matteson, Nicholas Weinhold, Michael Goodhart, Doug Kysar, and Luc Bovens for helpful comments on one or another of these papers. She would also like to thank audiences and commentators at the University of North Carolina, the Vienna International Summer University, the University of Colorado, the University of Delaware, the University of Tennessee, and the American Philosophical Association at which at least some of the ideas in this paper were presented. She apologizes to anyone she has so carelessly forgotten to mention. Finally, she is terribly grateful for the support she received from the Center for Ethics and Poverty Research in Salzburg, Austria for its support during the final part of this project.

ii Kurjanska and Risse's argument provides the biggest challenge to most of the remaining work on fair trade by philosophers. See, for instance: Darrel Moellendorf. 2005. "World Trade Organization and Egalitarian Justice." *Metaphilosophy*. Vol. 36, Nos. 1/2: 0026-1068. Nicole Hassoun. 2008a. "Free Trade, Poverty, and the Environment," *Public Affairs Quarterly*, 22, 4: 353-380. Also see: Nicole Hassoun. 2009a. "Free Trade and the Environment," *Environmental Ethics*, 3, 1: 51-66. Nicole Hassoun. 2009b. "Free Trade, Poverty, and Inequality." *The Journal of Moral Philosophy*.

iii **Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 34.**

iv See, for instance: John Rawls. 1999. *Law of Peoples*. Harvard University Press: Cambridge. Thomas Pogge. 2002. *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*. Polity Press: Cambridge. Gillian Brock. 1998. *Necessary Goods: Our Responsibilities to Meet Others' Needs*. Roman and Littlefield.: New York. Allen Buchanan. 1990. "Justice as Reciprocity vs. Subject-Centered Justice," *Philosophy and Public Affairs*. Volume 19: 227-252. Nicole Hassoun. 2008b. "World Poverty and Individual Freedom." *American Philosophical Quarterly*, 45, 2: 191-198. Nicole Hassoun. 2009c. "Meeting Need." *Utilitas*, 21, 3.

v **Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 7.**

vi Ibid

vii Ibid

viii Ibid

ix For a different, but somewhat similar, account of what fairness in trade requires see: Darrel Moellendorf, D. 2005. "World Trade Organization and Egalitarian Justice." *Metaphilosophy*. Vol. 36, Nos. 1/2: 0026-1068.

x Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 16-17.

xi Ibid: 17.

xii They leave open a possible exception in cases where subsidies are necessary for a country to maintain its ability to feed its population independently.

xiii Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 17.

xiv Ibid: 21.

xv Ibid: 26.

xvi Ibid: ft. nt. 55.

xvii Kurjanska and Risse might have in mind the fact that the WTO allows direct income payments (production subsidies) under its Green Box measures, but not export subsidies.

It is not clear, however, that the WTO "considers policies objectionable only if they involve support for exports" as Kurjanska and Risse suggest (p. 27). The WTO requires

countries to reduce all kinds of trade barriers including even those intended to support imports. We can set this point aside here, however. Zhao Yumin, Wang Hongxia, Linxuegui

Mayu. 2003. "Green Box Support Measures Under the WTO Agreement on Agriculture and Chinese Agricultural Sustainable Development." Chinese Academy of International

Trade and Economic Cooperation (CAITEC) Working Paper. International Institute for Sustainable Development: Manitoba.

xviii Merlinda Ingco and John D. Nash. 2004. "What's at Stake? Developing-Country Interests in the Doha Development Round." *Agriculture and the WTO: Creating a Trading*

System for Development. Oxford University Press: Oxford.

xix Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 24.

xx International Fair Trade Association. 2008. "What is Fair Trade." International Fair Trade Association: Culemborg, the Netherlands. Available at:

<http://www.ifat.org/index.php?option=com_content&task=blogcategory&id=11&Itemid=12>.

xxi Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 25.

xxii International Fair Trade Association. 2008. "What is Fair Trade." International Fair Trade Association: Culemborg, the Netherlands. Available at:

<http://www.ifat.org/index.php?option=com_content&task=blogcategory&id=11&Itemid=12>.

xxiii Ibid: 32.

xxiv Ibid: 28-29.

xxv Ibid: 30-31.

xxvi Ibid: 26.

xxvii Ibid: 31.

xxviii A related worry is that the fact that Fair Trade is a matter of private choice while subsidies are a matter of institutional policy may have more relevance than Kurjanska and Risse allow. One might plausibly interpret Rawls as holding that justice is only properly a virtue of institutions. On this view, duties of justice may not apply to private (non-institution-regarding) individual choices at all. Even if duties of justice do apply to private choices, however, the difference between private choice and institutional policy may still matter. Institutions may need to have greater justification for implementing policies than individuals for making choices. So, if as I will argue below, there is great uncertainty about how subsidies and Fair Trade will generally impact the poor, subsidies may be impermissible while consumers may be justified in purchasing Fair Trade certified goods.

xxix Ibid: 11.

xxx Acknowledgment with-held to preserve anonymity.

xxxi Merlinda Ingco and John D. Nash. 2004. "What's at Stake? Developing-Country Interests in the Doha Development Round." *Agriculture and the WTO: Creating a Trading System for Development*. Oxford University Press: Oxford.

xxxii WTO. 2008. "Glossary." WTO: Geneva. Available at: <http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm>.

xxxiii Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 25.

xxxiv John Rawls. 1993. *Political Liberalism*. Columbia University Press: New York. Thomas Pogge. 1989. *Realizing Rawls*. Cornell University Press: Ithaca.

xxxv Malgorzata Kurjanska and Mathias Risse. 2008. "Fairness in Trade II: Export Subsidies and the Fair Trade Movement." *Philosophy, Politics, and Economics* Vol. 7: 25.

xxxvi Ibid: 25.

xxxvii Nicole Hassoun. 2009b "Free Trade, Poverty, and Inequality." *The Journal of Moral Philosophy*.

xxxviii And, even if growth reduces inequality (e.g. on the Gini index, the most common measure) it can increase poverty. Suppose, for instance, that the middle class gain more from trade than the poor and the rich lose. If there are an equal number of rich, middle class, and poor people in a population, increasing inequality between the middle class and the poor may be more than offset by the decrease in inequality between the middle class and the rich. Nicole Hassoun. 2009b. "Free Trade, Poverty, and Inequality." *The Journal of Moral Philosophy*. Nicole Hassoun. 2009c. "Meeting Need." *Utilitas*, 21, 3.

xxxix Aileen Kwa. 2008. "The Dirty Green Box: Chair Pushes EU-US Positions on the Green Box in 2nd Installment." *Focus on the Global South*: Bangkok. Available at: <http://www.focusweb.org/index2.php?option=com_content&do_pdf=1&id=1226>.

xl Emmanuel Saez. 2004. "Direct or Indirect Tax Instruments for Redistribution: Short-run versus Long-run." *Journal of Public Economics*. Vol. 88: 503– 518.

xli Ibid: 503– 518.

xlii Julian M. Alston, Colin A. Carter, and Vincent H. Smith. 1993. "Rationalizing Agricultural Export Subsidies." *American Journal of Agricultural Economics*. Vol. 75: 1000-1009.

xliii It is hard to provide real examples here without descending into significant empirical detail (it is hard to establish even that a sanction did reduce poverty never mind the counter-factual that no other policy would have been better able to reduce poverty). The theoretical point can, however, be made with a simple example. Consider, for instance, how giving an export subsidy to rich workers could help the poor. Suppose that there Rich is a very large country and subsidizes exports of its muskrat production. This will lower world prices for muskrats increasing the profit to muskrat producers in Rich but decreasing the profit to muskrat producers abroad and benefiting foreign muskrat consumers. If foreign muskrat producers are well off but only the foreign poor consume muskrats the poor in present generations may benefit from the subsidy. If the only alternative to muskrat production is porcupine production and muskrats produce less greenhouse gas than porcupines, the subsidy might even decrease the amount of climate change that occurs and be good for poor people in future generations. If WTO rules allowed countries to use (less fanciful) subsidies with such features, such trade policy could provide a useful tool for reducing poverty.

xliv Saying, as they do in a foot note, that allowing only non-trade distorting means of supporting producers is one way of satisfying claims proportionately seems either vacuous or question-begging in the present context.

xlvi Julian M. Alston, Colin A. Carter, and Vincent H. Smith. 1993. "Rationalizing Agricultural Export Subsidies." *American Journal of Agricultural Economics*. Vol. 75: 1000-1009.

xlvi Christian Barry and Sanjay Reddy. 2007. *Just Linkage: International Trade and Labor Standards*. August 25, 2005 draft. Columbia University Press: Columbia.

xlvi Ibid: 1.

xlviii One might also add the condition that linkage should protect the interests of trade-displaced workers.

xlix Another example of trade-related compensation does not rely on the threat of subsidies Kurjanska and Risse reject. Paragraph 4 of the Marrakech NFIDC Decision of the WTO says that agreements on agriculture have to make appropriate provision for the needs of net food-importing developing countries and least-developed countries. The rationale is that net food importing countries are the ones most likely to be hurt by rising prices of agricultural commodities due to liberalization. Though the Marrakech decision has yet to be appropriately implemented, a similar more sustainable program may be possible. The WTO might, in conjunction with other international institutions, also help create programs to compensate poor individuals who lose from liberalization or require countries to implement such programs. Kurjanska and Risse would probably agree that such compensation should take a long term perspective on the basic needs of their beneficiaries, helping them adapt (and maintain employment) as economic conditions change. One possibility is to create trade related adjustment assistance (TAA) programs. There are many examples of TAA programs. The U.S. TAA program provides unemployment and retraining benefits and relocation expenses. It also compensates workers who free trade negatively impacts. There are similar programs in place in other countries. Together the WTO and other international institutions might create a global TAA program to help the poor. But, if the threat of trade-distorting subsidies would encourage reticent countries to agree to such programs, they might be justified. For more details on these ideas see: Nicole Hassoun. 2008a. "Free Trade, Poverty, and the Environment," *Public Affairs Quarterly*, 22, 4: 353-

380. Also see: Nicole Hassoun. 2009a. "Free Trade and the Environment," *Environmental Ethics*, 3, 1: 51-66.

i A deeper worry is that although intentions may be relevant to virtue, they may simply be irrelevant to justice. One might also worry that corporate bodies may not have intentions.

ii Obviously this particular argument would not be compelling given the current food crisis.

iii Some of the arguments used here are taken from: Nicole Hassoun. 2008a. "Free Trade, Poverty, and the Environment," *Public Affairs Quarterly*, 22, 4: 353-380. Versions of these arguments also appear in: Nicole Hassoun. 2009a. "Free Trade and the Environment," *Environmental Ethics*, 3, 1: 51-66.

iiii Perhaps such panels could also decide whether a trade policy that does help the poor can be justified in light of competing considerations.

liv Kurjanska and Risse actually start their argument by suggesting that trade does not, itself, give rise to associational duties of fairness; they do not believe there are duties that arise merely as a result of cooperating in trade. Rather, Kurjanska and Risse believe, duties of justice (and hence fairness) only arise when people are subject to a coercive power. They believe that trade does not require such coercion and, so, does not necessarily generate associational duties of justice. Although we can accept this view for the purposes of this paper, I believe Kurjanska and Risse are wrong to claim that duties of justice only arise when people are subject to a coercive power. Furthermore, many of the rules and institutions governing trade are at least indirectly coercive. Institutions like the WTO and the North American Free Trade Association (NAFTA) impose sanctions on countries that violate property rights or the rules of the market. State institutions and rules are used to enforce these sanctions. For instance, the NAFTA sanctioned Mexico for prohibiting Metalclad from operating a toxic waste dump in San Luis Potosi. Mexico had to pay Metalclad 16 million US dollars in damages. Similarly, the WTO found the US guilty of violating WTO rules when the US passed the Byrd amendment. The WTO allowed prosecuting countries to impose import duties on the US until the US repealed the act. Recently the WTO sanctioned the EU because the EU had used import licensing requirements to support Caribbean banana producers. The WTO allowed the US to impose tariffs on EU goods. In many cases, laws passed by states, as a result of WTO rulings, eventually coerce businesses and individuals to abide by the rulings. Even if the rules of trade were not indirectly coercively enforced through international organizations, they would need to be coercively enforced by states for markets to function. So, Kurjanska and Risse should agree that trade can generate associational duties of justice. Nicole Hassoun. 2008b. "World Poverty and Individual Freedom." *American Philosophical Quarterly*, 45, 2: 191-198. Nicole Hassoun. 2009e. "Freedom and Autonomy." Carnegie Mellon University Working Paper. Available at: <<http://www.hss.cmu.edu/philosophy/hassoun/papers.php>>. Nicole Hassoun. 2009f. "Shrinking Distance." Carnegie Mellon University Working Paper. Available at: <<http://www.hss.cmu.edu/philosophy/hassoun/papers.php>>.

lv The Economist. 2006. "Fair Enough." *The Economist*, 4/1/06. Vol. 378, No. 8471. P 33.

lvi The common assumptions include zero transaction costs, full employment, and homogenous labor markets, that goods produced in each country are identical, and that consumers and firms strive to maximize utility and profit respectively. Furthermore, it is commonly assumed that labor cannot move between countries but that it costs nothing for laborers to switch industries. We know that many of these assumptions are false in the real world and many economic models do not assume that all of these things hold. . See:

Neil McCulloch, L. Alan Winters, and Xavier Cirera. 2001. *Trade Liberalization and Poverty: A Handbook*. Department for International Development: London.

lvii This is assuming, for instance, perfect markets where producers try to maximize profit. The extent to which this argument is interesting obviously depends on how well actual markets approximate ideal markets as we will discuss below. Nicole Hassoun. 2008a. "Free Trade, Poverty, and the Environment," *Public Affairs Quarterly*, 22, 4: 353-380. Also see: Nicole Hassoun. 2009a. "Free Trade and the Environment," *Environmental Ethics*, 3, 1: 51-66. Nicole Hassoun. 2009b. "Free Trade, Poverty, and Inequality." *The Journal of Moral Philosophy*.

lviii Again, we are making the standard perfect market assumptions.

lix Though, of course, this argument is very abstract and its assumptions are questionable. It does not consider, for instance, the importance of diversification in the face of potential problems with banana crops and changes in the terms of trade as others move into or out of banana markets.

lx Though, farmers are probably more likely to be able to transition as long as they have had time to recoup losses from transitioning into Fair Trade. Plus, transitioning into fair trade may not be difficult.

lxi There is also some evidence that Fair Trade can increase gender inequality and encourage specialization that can leave individual farmers vulnerable to changing economic conditions. Rued Ruben. 2008. *The Impact of Fair Trade*. Wageningen Academic Publishers: Wageningen, Netherlands. Laura Reynolds. 2002. "Poverty Alleviation Through Participation in Fair Trade Coffee Networks: Existing Research and Critical Issues." Background Paper Prepared for Project Funded by the Community and Resource Development Program. The Ford Foundation: New York. Christopher Bacon. 2004. "Confronting the Coffee Crisis: Can Fair Trade, Organic, and Specialty Coffees Reduce Small-Scale Farmer Vulnerability in Northern Nicaragua?" *World Development*. Vol. 33, No. 3: 497-511.

lxii See (TransFair USA, 2001) cited in: Laura Reynolds. 2002. "Poverty Alleviation Through Participation in Fair Trade Coffee Networks: Existing Research and Critical Issues." Background Paper Prepared for Project Funded by the Community and Resource Development Program. The Ford Foundation: New York. Available at: <http://www.colostate.edu/Depts/Sociology/FairTradeResearchGroup/doc/rayback.pdf>.

lxiii Patrick McMahon. 2001. "Cause Coffees' Produce a Cup with an Agenda." *USA Today*. A1-2.

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xcviii The poor might even benefit most from highly subsidized trade in combination with some other set of policies. This is related to the first worry about Kurjanska and Risse’s arguments – the optimization problem that they need to solve to apply the Rawlsian liberal egalitarian framework they espouse is too difficult.

xcix Reference withheld.

c I do not know what the net effect of removing different agricultural subsidies would be for the poor but estimates probably exist for many such subsidies.

ci Another reason some subsidies may be morally required in light of the above considerations is that, as Kurjanska and Risse allow, trade may generate associational duties of justice when it harms the poor (p. 31).

cii See: liii-.