Is Fair Trade a Mirror Image of Just Price?

Raymond Benton, Jr.
Ondraia Hassert
Loyola University Chicago, Chicago, USA

The concept of Just Price is familiar to most historically oriented economists. As price is central to both economics and to marketing, the concept of Just Price is pertinent to historically oriented marketers as well. This paper will introduce the concept of just price to marketing historians by proposing a possible (hypothesized) link between the scholastic concept of Just Price and the contemporary concept of Fair Trade.

We will review some of the economics literature dealing with just price before launching into an interpretation based on the realization that while we each bring our own identities and our own understandings to what we read and, consequently, we often read as much into a text as we read out of it. When reading writers of the past, an historical awareness is necessary, and this involves putting the text being read into its proper context. We must set aside, as best we can, our own mental set and adopt the mental set of the writer. Ideas are not entities with an existence independent of the people who thought them. So we must be conscious of how others thought about them. That is, we must pay careful attention to the metaphors and analogies by and through which people thought, as metaphor is actually constitutive of thought and language, productive of perception and comprehension (Murry 1927; Pepper 1928, 1935; Richards 1936; Skinner 1976; Lakoff and Johnson 1980, 1999). As anthropologist Clifford Geertz (1973) put it, we don’t just see things, we see them as something. Since metaphors are constitutive of meaning, to understand a writer we must become fully conscious of the writer’s metaphors; to understand a period we must understand the period’s metaphors. By that we can grasp (to use a metaphor) what was going through a writer’s mind.

We then review the general orientation of those interested in and involved with the fair trade movement. The proposed exploration is that Fair Trade may reasonably be interpreted as the mirror image of Just Price. In a recent paper Italian economist Fabio Monsalve (2010) stated his interest in the topic as a way “of rethinking a more ethical economics” (p. 3). Similarly, our interest is to eventually rethink a more ethical marketing.

The Doctrine of Just Price
The Doctrine of Just Price is most known as an attempt by Medieval scholastics to set standards of fairness in transactions involving trade. Frequently considered to have come from Saint Thomas Aquinas’ argument against usury, which expanded to include a concern with any unfair earnings made in any trade. In Aquinas’ time most products were sold by immediate producers (i.e. farmers and craftspeople) and were exchanged at fixed rates. The central issue in the Doctrine of Just Price was the role of price in commercial practices that intruded upon medieval economy and society. It was truly a normative issue: what should price be, and at what level is it just?

Just Price in Context
The great manorial estates of the Medieval period were not economic properties but social and political entities. The lord of the manor was not a landlord but a protector, an undisputed master of the people who lived within his domain. Serfs, while not slaves, were considered property of the lord. Society was held together by a system of mutual rights and obligations based on social classification: serf, freeman, or lord.

For the serf that meant one could not be displaced. It also meant one could not leave his plot of land. A serf was obliged to till his lord’s fields, to work in his lord’s shops, to turn over a portion of his own crops to his lord. In addition a serf would pay for the use of his lord’s ills, head taxes, death duties, and marriage fees.

If the lot of the serf was a poor one, the lot of a freeman could be many times worse. The freepeasant was fair prey for the marauding lord, defenseless against his own capture or against the
plunder of his meager possessions; the rights of the serf included protection by his lord. The lord also
maintained stores in case of famine to feed the serf and his family.

Although no manorial estate was completely self-sufficient, the economic foundation of the
medieval world was the largely self-sufficient manorial estate.

Medieval life was also graced by the presence of itinerant merchants who traveled immense
distances. They carried goods that they had brought with them on their journeys across Europe and
Arabia. These traveling merchants were outcasts because they had no natural place within the fixed
hierarchies of the manorial estates. They were unlanded and unbounded; and traded in a typically
unfeudal manner, insisting on monetary payment.

In medieval society the dominant minority sought to monopolize the goods of civilization for itself
and a circumscribed majority who were permitted only a vicarious participation in the society they
helped to create and, by their daily efforts and sacrifices, keep going. How could the medieval world
accept, without question or thoughts of reconstruction, its own civilization, a civilization that “gave so
much to so few and so little to so many” (Mumford 1972, p. 54)?

The analogy by which society was described, understood, and given ethical meaning, an analogy
both fundamental and commonplace, was that of the human body.

Society was like the human body. It was an organism composed of different members, each with its
own function – prayer, defense, merchandise, or tilling the soil. Each member must receive the means
suited to its station so that it can carry out its function and no more. If one takes more for oneself, his
neighbor will go short, unable to perform his function. And if one is unable to perform his function in
the social body, just as with the human body, the social body does not function.

It is not that social life was a human body; rather that it was like a human body. And naturally if it
was like a human body, there were strong implications regarding social conduct. The theology of
medieval speculation provided a symbolism “at once fundamental and commonplace,” that served as
an image for interpretation as well as a guide for action – the doctrine of economic ethics. “Medieval
economic thought,” Henry William Spiegel rightly notes, “taught what ought to be, and its character
was a normative one” (1971, p. 56). The dominating spirit, “the health of the whole commonwealth,”
was not at odds with the lord or the peasant. Rather, each had a role to fulfill in the body social. But
the life of the merchant did not fit harmoniously into the medieval synthesis and was seen as hostile to
this unitary conception of society.

It was considered right that people seek wealth that supported their station. But to seek more, as
merchants and financiers did, was avarice. The traditional distinction was expressed in the words of
Gratian:

Whosoever buys a thing, not that he may sell it whole and unchanged, but that it may be a
material for fashioning something, he is no merchant. But the man who buys it in order that
he may gain by selling it again unchanged and as he bought it, that man is of the buyers and
sellers who are cast forth from God’s temple (Quoted by Tawney 1926, p. 37).

What the medieval theorist condemned as a sin was that effort to achieve a continuous and unlimited
increase in material wealth when social well-being existed only if each class performs its functions. To
ceaselessly acquire a profit meant that member attained enough to live without labor and thereby did
not contribute to the social whole by denying others the means to contribute to society.
In modern terminology the medieval world held trade to be a zero-sum game. Consider the following passage from an early, unpublished essay by John Locke:

When any man snatchs for himself as much as he can, he takes away from another man’s heap the amount he adds to his own, and it is impossible for anyone to grow rich except at the expense of someone else. (Quoted in Spiegel 1971, p. 165)

To restate the problem, itinerant merchants existed but had no natural place within the fixed hierarchies of the manorial estates. Yet their services were not dispensed. This is the context within which the Doctrine of Just Price arose and must be understood. Laboring craftsmen and merchants justly deserved a return, provided that gains were not in excess of a reasonable remuneration for the labor extended. The unpardonable sin was that of the middleman who snatched private gain by the exploitation of public necessities. To buy in order to sell at a profit, denied others their means. Hence it was reprehensible and condemnable because it ultimately threatened the social organism as a whole.

The ideas of the Just Price and pronouncements against usury were guides for proper and reasonable action that would place one’s activities within the realm of ethically justified.

**Fair Trade**

The fair trade movement initially emerged in the 1940s when churches and philanthropies in developed countries sold handicrafts from emerging countries and then turned the profits directly to the craftsmen (Glazer, p. 443). The movement has become an alternative to the current economic trade system by cutting out the intermediary in the trade transaction, and establishing a fair price for the producers. Eliminating intermediaries increases producer profits as the price at which the good is purchased is the amount the producer receives. Emphasis of fair treatment of individual producers is also denoted in Fair Trade by providing wages and a social premium reflective of the production process living conditions of the producer. The social premium, which is set by the FLO (Fair-Trade International) Standards Unit, “is an additional sum of money paid on top of the agreed Fairtrade price [to be] used for investment in social, environmental or economic development projects...” (www.fairtrade.org.uk).

Economic markets, especially commodity markets, are prone to fluctuations yielding unstable and often unprofitable market prices for the farmer or producer. As an alternative, fair trade takes a holistic approach to price setting and issuing payments in the trade transaction. Fair trade members are involved throughout the trading process, including the wholesalers, retailers, and producers. Their motivation is to establish a fair price for the producer of the good, which translates throughout the supply chain and is ultimately paid for by socially conscious consumers willing to purchase higher priced products to support the fair trade cause. The fair price is higher than the market price to both avoid the volatility of the market price, and to “...provide fair wages and good employment opportunities to economically disadvantaged artisans and farmers worldwide” (Hulm 17).

In many ways Fair Trade is a continuation of an ancient concern and, in that way, is a mirror of Just Price.

**Selected References**


