Fair trade, just price and the morality of capitalism:
polanyian reflections on the occasion of Expo 2015

Commercio equo, giusto prezzo e moralità del capitalismo:
riflessioni polanyiane in occasione di Expo 2015

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This article takes cue from the 2015 Expo Milan, and in particular from the theme “Sustainable food = fair world” of the Lombardy Schools for Expo project, to reflect on the fair trade movement. The article discusses fair trade's social and historical significance in the modern world focusing on issues of morality in economic behaviour and the question of the just price.

To allow the market mechanism to be sole director of the fate of human beings and their natural environment [...] would result in the demolition of society. [...] Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed.

Karl Polanyi (2001[1944]:76)

Prudence, auriga virtutum according to St. Thomas, minding to the ‘whole’ instead of one’s own, reveals itself as the virtue to follow in the world of finance when in doubt or danger.

Archbishop Angelo Scola (2013:44)

The Universal Exposition is a controversial event that has accompanied the history of the modern world system for the past century and a half. Since it was first organised in London at the height of colonialism, in 1851, the event has symbolised two almost opposite models of society. For its organisers and promoters, the Exposition has been «the perfect stage to show off the most ambitious successes that man has achieved over time [...] an occasion to share technologies, innovation and discoveries» (Expo 2015). For those who oppose and criticise such modernist dream, the event represents an approach to development that is no longer sustainable in the 21st century. As Sachs writes of the Expo 2010 held in Shanghai: «With the emergence of bio-physical constraints to economic growth [...] this approach has definitely turned out to be one-sided» (2010:xiv).

In 2015 the Exposition takes place in Milan, with the theme of Feeding the Planet, Energy for Life. This is «a topic that reflects the huge challenge of finding a balance between the nutrition of man and respecting the planet» (Expo 2015). The event has proven no less controversial in Italy. Bribery and corruption scandals have hit some of the companies that had been awarded contracts to build the facilities (Corriere della Sera 2014). Debates and polemics
have followed the widespread use of voluntary labour to run the six-month event (Peracchi 2015). The numerous corporate sponsors have also been criticised for their record on environmental and social issues, alongside the loss of agricultural land to build the necessary infrastructure (Cospé 2015).

Still, the Expo has been promoted relentlessly by all quarters of Italian society. The official website argues that the event will have two orders of positive impacts: tangible and intangible. The former consist of a legacy of «monuments and buildings that become a true calling card for the hosting city», in addition to «an opportunity to change the face of the city, to improve quality of life for its citizens and to attract more tourists» (Expo 2015). The latter is embodied in «a message for the future» and is «more focused on important issues concerning humanity».

One example of this intangible legacy is the Lombardy schools project. Taking cue from one of the project’s themes (Sustainable food = fair world), this article focuses on the fair trade movement and its social and historical significance in the modern world. The article is intended as a thought piece and is structured as follows.

In the next section, I describe the project in question and then move on to describe the fair trade initiative. In the second section, I set out two theoretical concepts—those of moral economy and embeddedness—for the interpretation of fair trade from an anthropological and historical point of view. In section three I analyse one particular aspect of the notion of fair trade food: the “just price”. The conclusions end the piece.

The Lombardy schools project and the challenge of fair food

One of the many projects that have been developed as a result of the 2015 Expo Milan has seen public schools in the Lombardy region taking part in a competition to create educational projects linked to the Expo’s theme of Feeding the Planet, Energy for Life. This project can be seen as falling squarely within the intangible legacy of the Expo, as it forms part of the intellectual work that has been promoted by the event through a number of meetings and conferences. The organisers have been keen to include educational elements in all aspects of the Exposition, in order to promote more eco-conscious behaviours in the production and consumption of food among the general public. The Lombardy schools project has taken on board these goals, and aimed at involving students, from elementary to high-school classes, in a research process on the social, historical, literary and artistic aspects of food.

Following the Expo’s framework, the project identified five key themes on which the students could develop their tasks for the competition: 1) Man’s history, food histories; 2) Abundance and deprivation: a contemporary paradox; 3) Food’s future: science and technology for safety and quality; 4) Sustainable food = fair world; 5) Taste is knowledge (Ufficio Scolastico Regionale per la Lombardia 2015). In this article I want to focus on number four, and explore it with reference to the international fair trade movement. The project introduced this theme by asking whether it is possible for mankind to become responsible enough to achieve a balanced development, rather than the currently unbalanced one. It then put forward a number of issues that highlight the theme in question, including sustainable agri-business, microfinance, responsible consumption, and sustainable production. Fair trade, and the issue of food prices, were also among these hot topics, and it is on them that I now turn the attention.

Until recently, the fair trade movement was largely unknown to the wider public, especially in Italy, having previously occupied what Renard (1999) has aptly called the “interstices” of economy and society. Firstly, then, I will provide an historical overview of the fair trade movement’s development from its beginnings to the present.

Today, fair trade is a global movement organising over a million small-scale producers on all continents. Yet it began in a very humble way. At the end of the 1940s, Quaker and Mennonite religious groups in England and North America started importing handicrafts from poor areas like Puerto Rico, Palestine and China (Littrell and Dickson 1999). Eventually, these groups set up formal alternative trade organisations (ATOs) and added food to their imports. In the 1970s, the movement grew considerably as a result of the expansion of the non-governmental sector, especially those groups that protested the spread of neoliberism and the failed development of what was then known as the “Third World”. The 1990s saw vast changes in the movement, mainly due to the
creation of labelling organisations (Renard 2003), which provide fair trade certification to third parties and have taken a primary role alongside that held by the original ATOs (Leclair 2002). Indeed, for the majority of consumers today, the movement is synonymous with the products of conventional brands that are certified as “fair trade”, rather than with actual fair trade brands (Fridell 2007).

As the previous paragraph shows, the fair trade movement has a complex history dating back at least to the mid-20th century. During this history, social scientists have shared the wider public’s lack of interest towards the initiative. The earliest book on fair trade that I was able to locate, for example, was published in the first half of the 1990s (Barratt-Brown 1993). Other studies remain sparse until around 2000. It is only recently that scholars have begun to look at this phenomenon, mainly as a result of its heightened presence in the media. Although still under-researched, then, there is now a rapidly growing body of scholarship on it. Given the multi-faceted nature of the movement, and the disciplinary specialisations of those who study it, this scholarship combines topic, theory, method, academic affiliation and regional specialisation in different ways. A review of the literature would therefore be impossible here.

This article looks at fair trade following the most recent theoretical developments in the study of alternative economic movements, such as De Neve et al. (2008b) and Carrier and Luetchford (2012). These studies have a pronounced comparative approach and a grounded perspective that recognises the importance of fair trade as integral to processes of social reproduction (Barnett et al. 2005; Varul 2009). Two key analytical concepts relate to this body of work: moral economy (Bryant and Goodman 2004; Fridell 2007; Goodman 2004; Jaffe et al. 2004; Luetchford 2008) and embeddedness (Hinrichs 2000; Raynolds 2000; Sage 2003; Winter 2003). In the following section, I explore the theoretical implications of these two concepts for the present piece.

Notes on moral economy and embeddedness
The establishment of moral economy as a scholarly term in the social sciences can be traced back to Thompson’s (1971) article The Moral Economy of the English Crowd in the Eighteenth Century. In a reappraisal of his classic 1971 piece, Thompson notes that moral economy was first used by English common folk in the late 18th and early 19th centuries, to contrast their own practices to those of the “quacks” who promoted a “political economy” (1991:336-337). It was particularly the Chartists and other critics of capitalism who contrasted it derogatorily to the politicians’ economy, in their fight against the ruling elites and the nascent laissez-faire legislation. Moral economy, therefore, stands as one of the very first grassroots attempts at conceptualising an alternative to what was about to become the dominant economic paradigm of capitalism (Sayer 2000).

Food, economy and culture are the cornerstones of the early literature on moral economy. Orlove (1997:242) summarises Thompson’s original definition thus:

A consistent traditional view of social norms and obligations, [and] of the proper functions of several parties within the community […] can be said to constitute the moral economy […] This moral economy […] supposed definite, and passionately held, notions of the common weal. (Thompson 1971:79)

Thompson looked at these notions specifically during periods of «confrontations in the market-place over access (or entitlement) to “necessities”—essential food» (1991:337). In 18th century England, many people were opposed to farmers who sold to middlemen instead of to consumers at the market, to grain hoarding, to bakers and millers who adulterated products or tampered with weights, and to prices set on the basis of supply and demand instead of customary principles. All these practices were seen as profiteering. The beliefs in question originated in a collective value system held particularly by the lower strata of society, about the just way to act with food.

Thompson’s œuvre is part of a broader intellectual debate about the transition to capitalism in different regions and historical periods. Though he came from historiography, Thompson thought that anthropology had a key role to play in this debate. This is evident, for example, in what he says of the serial history approach in the Annales School:
[It is] a manifestation of the schizoid intellectual climate, which permits this quantitative historiography to co-exist [...] with a social anthropology which derives from Durkheim, Weber, or Malinowski. We know all about the delicate tissue of social norms and reciprocities which regulates the life of Trobriand islanders [...] but at some point this infinitely-complex social creature, Melanesian man, becomes (in our histories) the eighteenth-century English collier who [...] responds to elementary economic stimuli. (1971:78)

Thompson points to an economic reductionism that leaves little space for social, political and cultural aspects in the explanation of individual and collective action. Talking of a moral economy was therefore a means of moving away from simplistic histories and toward a more complex perspective.

Key to this perspective was an argument against the dominant discourse of maximising Homo Economicus, popularised by Adam Smith (1998[1776]) and his followers. For Thompson, anti-maximisation was a constitutive element of moral economies. The theme of market behaviour plays a central role in another important anthropological point of reference in this debate, Polanyi. Thompson’s definition of moral economy as “confrontations in the market-place” recalls Polanyi’s suggestion of an economy ‘embedded’ in society in The Great Transformation. As Edelman writes, for example:

> The term market-place evokes a concrete location. From our vantage point today, it is sometimes difficult to grasp that even in the mid-19th century market by itself often referred primarily to a specific physical location [...] Only later did it assume the metaphorical and deterritorialized qualities that increasingly adhere to it. (2005:332)

The Great Transformation is often mistakenly interpreted as suggesting that a true market economy is effectively disembedded (e.g. Barber 1995). Admittedly, “embeddedness” makes only a passing appearance in this work, but this is not to say that the term lacks importance in it, as some have argued (Swedberg 1997). Rather, the concept of embeddedness has been the focus for a changing set of discourses. In The Great Transformation, the focus lies in the “self-protection” of society that set in after the devastating effects of commodification became apparent in the mid-20th century (Baum 1996:3-19). This self-protection was a counter-movement to that of the market:

> The double movement can be personified as the action of two organizing principles in society [...] The one is the principle of economic liberalism [...] the other is the principle of social protection aiming at the conservation of man and nature as well as productive organizations, relying on [...] protective legislation, restrictive associations, and other instruments of intervention as its methods. (Polanyi 2001[1944]:138)

Clearly, there is much in these arguments that resonates with the fair trade movement.

The movement is reminiscent of the phenomena described by Thompson and Polanyi. The two authors argued that in the past some people saw “violations” of the moral economy as a threat to subsistence security, which therefore provoked resistance whenever they occurred. These violations took the form of market behaviours that have now become completely established, and are thus considered perfectly acceptable, but which in 1800s’ Europe were new. However, increasingly these behaviours are being (re)considered problematic by sections of contemporary society, such as those who are receptive to the discourses of the fair trade movement.

Polanyi’s idea of a counter-movement to commodification illuminates the broader historical significance of fair trade. As I mentioned in the previous section, fair trade centres on the initiative of certain social groups who fight against the damaging effects of markets on society and nature. After its post-war beginnings, fair trade took on an oppositional role to the neoliberal policies that reshaped international trading relations from the late 1970s. The movement grew further in the 1990s, after the collapse of real socialism and the establishment of the Washington Consensus ushered in a new era of market expansion. Scholars who have studied the protest movements that accompanied each of these periods have often noted the similarities between these phenomena and those explored by Thompson and Polanyi (Edelman 2005). Such similarities can be seen at play on a number of levels:
historical, geographical, thematic and epistemological. First, what the temporal junctures mentioned above have in common with those of the ‘old’ moral economy is the expansion of markets into social and political territories that had previously lain outside their influence, at least since the end of the Second World War. This market expansion triggered various forms of popular uprising, including new social movements (Melucci 1989; Touraine 1988). This dynamic is reminiscent of the historical counter-movement described by Polanyi. Geographically, Europe was again a key region for the protests, although these took place also in the South. Considerable overlap exists also between the values of the old moral economies and those at the centre of these social movements.

This is true, for example, of demands to end exploitative trade practices and promote equality in the economy. Edelman writes in this regard of «the fundamentally moral bases of contemporary transnational peasant mobilization. “Just prices”, in particular, is a demand that parallels the [old] moral-economic principles» (2005:339). He then continues: «The rise of transnational peasant activism draws on a deep, historical reservoir of moral-economic sensibilities as well as on old protest repertoires and agrarian discourses» (p. 341). Fair trade exhibits this kind of resonance between old and new very clearly. In the following section I therefore want to explore how, in the words of Gudeman, fair trade «resists the semantic blandishments of price fetishism […] and opens the possibility of mutuality between buyer and ultimate producer» (2008:113), particularly through the notion of a “fair price”.

**Just prices: a very old conversation**

While motivations to purchase fair trade foods are obviously diverse, a common one is to oppose the excesses of markets. Central to it is the feeling that justice should prevail in the globalisation process, and that workers’ rights should be upheld in this process. These values acquire special significance in an international context in which middlemen often take the lion’s share of profits, thus robbing producers of an equitable (and rightful) remuneration. Indeed, the fair trade movement is built on the payment of above-market prices to producers, given that market ones are usually too low to guarantee a decent life.

This emphasis on a fair price is part of a much older conversation dating back at least to the Middle Ages. In his seminal treatise on the subject, Baldwin (1959) identifies four schools as having contributed to this conversation: ancient Roman law, Medieval Roman law, Canon law, and Scholastic theology. The latter is the one that speaks most closely to the fair trade movement, though this relation is in fact a highly problematic one.

The Scholastic theologians of the 13th century, such as Thomas Aquinas, inherited the idea of iustum pretium from the Roman Empire, where it was documented with little systematisation (Baldwin 1959:20). This changed in the 6th century, when the concept was fixed in a legal device that regulated land transactions, preventing sales that went for less than half the just price. The notion did not apply to other kinds of transactions (pp. 16-18). Also, the just price was calculated by referring to the (land) market price of a particular time and place (pp. 20-21). The lawmen of the monarchies and the Church (the Medieval Romanists and the Canonists) extended this legal device to all economic transactions, while keeping half-the-just-price as the threshold for classifying a transaction as unfair. Freedom of bargaining was allowed within that threshold. They also retained the prices of local markets as the point of reference for fairness (pp. 26-27, 42-46).

However, as Baldwin notes, «the theologians of the thirteenth century directly opposed their clerical colleagues, the Canonists, and insisted that the just price of a sale should be enforced» (1959:69). The Scholastics denied that freedom of bargaining and price variations could be considered moral, and held that fair prices should always be achieved. Here the Scholastics come very near to the fair trade movement, but to closer inspection, there appears to be little else in common between the two. An important difference lies in the fact that the Scholastics accepted the idea that market prices were, at any given time, fair.

The equation of the just price with the current market price should not be seen as an indication of a universal laissez-faire attitude. Still, when one translates this medieval belief into the contemporary world, the contradiction between it and fair trade is inevitable. For the fair trade
movement, current market prices are almost invariably unjust, because of the way that intermediaries work. On the contrary, the Scholastics viewed traders positively overall. Of the numerous reasons that explain their view, I will list here two. The first one is that, since ancient Roman times and throughout the Middle Ages, contracts of sale were seen by religious authorities as belonging to the human domain of bona fides (good faith) contracts, where dolus (damage or mischief) did not take place (Baldwin 1959:17-18). This view of economic exchange is hardly applicable today. The second reason is that the Scholastics believed merchants were a necessary component of the natural division of society, and that their actions were just-ified as long as they only charged prices that reflected their “labour and expenses” (Baldwin 1959:15, 66-67).

This issue is of particular significance for the complex relation between fair trade and the notion of just price. In the Scholastics’ view, a trader’s higher prices were just when they included the cost of his labour, but nothing more. The problem with this argument is that it constitutes, in effect, an alternative definition of just price: not the prices that can be observed in a market, which are determined by local need, but the labour costs of the person selling a good. This alternative notion is reminiscent of the classic politico-economic theories of value formation, especially the cost-of-production ones of Ricardo and Marx (Barrera 1997:86-87).

Baldwin notes that «the addition by […] Thomas of the new factors of labor and expenses to the former Aristotelian factor of need has prompted a lively controversy in modern studies» (1959:75). According to an early line of interpretation,

no longer were goods evaluated subjectively by need, but by means of an objective cost-of-production theory. Labor was the prime factor in producing economic value, and Thomas Aquinas was a precursor of Karl Marx. (Ibidem)

However, Baldwin himself (1959:76-79) and many other, more recent commentators (e.g. Barrera 1997:91) suggest another interpretation, which I share: “labour and expenses” were employed as a measure of fairness exclusively in the merchant’s case.

The Scholastics followed the Aristotelian view that all parties in the natural hierarchy of society were due their just dues, otherwise they would not perform their functions and ordered life would collapse. For this reason, they thought that even traders needed to be fairly compensated. However, they considered labour and expenses—and this is crucial—to be subsumed in the current market price (the just price). In other words, normal market prices usually included, for them, also people’s labour costs. One must not forget here that this was a religious, highly normative view of society. If dogma dictated that goods would not be produced and traded below cost of production, otherwise society would come to an end, then logically market prices must include labour costs because people were producing and trading and society continued to exist.

The fair trade movement grounds its argument for the need for just prices on significantly different premises. Starting from the ample evidence that actual middlemen and trade intermediation are exploitative and deny workers a fair share, it argues for the price of a commodity to include the just remuneration of those who made it. Equating the just price with the worker’s remuneration represents a quite modern development. Barrera writes in this regard:

In spite of the claim that equity in distribution and exchange was the primary focus of scholastic economic teachings […] scholars agree that the question of a just price and the issue of the living wage […] were never linked together as a single problem in medieval thinking. (1997:100)

In effect, the Scholastics were preoccupied exclusively with fairness in exchange, while the fair trade movement is concerned more directly with the wellbeing of workers. I suggest this is a reflection of the influence that left-wing political values had on economic thought in-between Scholasticism and the birth of the fair trade movement. This influence has also been felt in modern Catholic social thought. The Rerum Novarum encyclical of 1891, for example, was an explicit reply to the initial spread of socialist ideas across Europe. In it, the Church began shifting the emphasis of its economic teachings from just prices to just wages, a process that has been ongoing ever since. In 1931, for example, the encyclical Quadragesimo Anno was issued, which devoted considerable space to the
idea of a just wage. The same is true of the encyclical Centesimus Annus issued by John Paul II in 1991. Polanyi also contributed to the debate on how to combine Christian thought and socialism in his short script The Essence of Fascism (1935), which appeared as part of the collection Christianity and the Social Revolution.

Conclusions
In this article I have tried to show how Expo 2015 might be the occasion to open a debate on notions of justice and moral rectitude in the domain of economic activity. The idea that sustainability is impossible without fairness is clearly an important one for contemporary world society. More specifically, the fair trade movement might help us think about the urgent need to question how different types of exchange determine different prices—just and unjust ones—and the role that ethics should have in guiding these behaviours. This debate goes back to the origins of Western philosophical thought, in particular to Aristotle’s (1984) argument about economy in the Politics.

In this work, Aristotle insisted that the correct aim of economic activity was the achievement of an autonomous and independent household. Production should only be geared towards the creation of sufficient means for the family members. The same was true of exchange, for example of the sales performed by farmers, artisans and merchants. This was the domain of oikonomia. To take part in exchange with the intent of ‘getting out of it’ anything else—a monetary gain not anchored to family needs—was called krematistike, and was morally wrong (Gudeman 2001:60-63; Gudeman and Rivera 1990:145-49). Throughout the Middle Ages and afterwards, this second domain represented an important point of reference for the moral judgement of economy, but it was not considered to be the dominant one. In the 19th century, Marx’s (1999) discussion of two circuits of exchange (Commodity-Money-Commodity, and Money-Commodity-Money’) was also derived from the Aristotelian tradition. Today, suggest De Neve et al., «this alternative economic legacy underpins fair trade and local food movements» (2008a:12, italics added).

That this paradigm of self-sufficiency should be today described as “alternative” is the result of the ascendance of an altogether different one since the 19th century. This other paradigm was first outlined by Adam Smith (1998[1776]), who famously emphasised humans’ allegedly natural propensity to ‘truck, barter, and exchange’, and who believed markets could achieve prosperity for all. Smith’s argument was a perceptive reflection on the rapidly changing times of the 1700s. This is the same period that Thompson looked at in his work on the protest movements of the English commoners. Soon afterwards, Smith’s text and the real world seemed to converge and match perfectly. That a millennial intellectual history on morality and economy came to an end at that moment is undeniable. But as Gudeman and Rivera note: «Among the folk […] the voice and the angst [about just prices and usury] have lasted well beyond this» (1990:149).
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2 Barber (1995) notes that there are only two references to the term in *The Great Transformation* (Polanyi 2001:60, 64).

But as Olofsson (1995) has argued, Polanyi uses various other expressions in the book—such as ‘enmeshed’, ‘embodied in’, ‘submerged’, ‘absorbed’—which can all be considered particular instances of the general discourse.

3 See Barrera (1997:20-26) for the differences between the medieval and the modern economy.