

### Empirical Project 3: Fair Trade

This is an excerpt from a recent article in the New York Times (Dec. 16, 2006):

*"Buy organic, destroy the rainforest," The Economist said last week, eliciting howls of protest from food-activist bloggers (economist.com).*

*The magazine's look at "ethical food" questioned whether "voting with your trolley" (Yanks call it a shopping cart) can help save the world by encouraging organic products, fair-trade-labeled goods and locally grown produce. The sweeping conclusion was that it cannot.*

*"Fair trade" is anything but, The Economist concluded. Fair trade products often carry a premium above market prices, part of which is returned to impoverished farmers. The problem here, the magazine said, is that artificially high prices work against the very problem such schemes are meant to solve: overproduction. Coffee prices have tanked in recent years because there's too much of it being produced. Higher prices encourage more production.*

*The Economist seems to be on more slippery ground when it concludes that neither organic nor locally grown food helps the environment.*

*Organic farming uses "several times as much land as is currently cultivated," which is a net loss for the environment, the article states. If the world's farms all switched to organic production, there "wouldn't be much room left for the rainforest."*

*"Nonsense," wrote Parke Wilde, a food economist at Tufts University who writes the blog U.S. Food Policy. Mr. Wilde was less than convinced by the scant evidence the magazine offered for its conclusion that organic farming destroys rain forests (usfoodpolicy.blogspot.com).*

*"This is a recycled version of the argument the agro-business-funded Hudson Institute has been making for years," wrote Samuel Fromartz in the comments section of Gristmill, a blog about the environment (gristmill.grist.org).*

*Mr. Fromartz, author of "Organic Inc.," wrote that more-reliable studies show that organic farming is not as land-intensive as critics suggest, and that the article did not address several of the problems with conventional farming that organics are meant to help solve, like soil depletion.*

**ASSIGNMENT: Address the following questions with data analysis, media quotes, and /or other evidence to back up your answers**

- A)** What are the key concepts of the "fair trade" movement?
- B)** How significant is such "fair trade" relative to total world trade flows, particularly coffee? One could even look at coffee as a percent of total exports for a major exporting country (or of total imports for a big importing country - See UN site below to gather data)
- C)** If "fair trade" harmful or beneficial to the welfare gains of trading if consumers voluntarily participate? Is labeling of products to indicate "fairness" harmful or beneficial?
- D)** Would it be harmful or beneficial for governments to require a certain amount of fair trade? (For example, mandating that all government agencies should purchase "fair trade" products when possible). Alternatively, should the government ban "fair trade"?
- E)** Will workers in less developed countries benefit from the "fair trade" movement? Which ones? Will any lose from the movement?

**F)** To what extent do you think “fair trade” can broaden its scope beyond coffee, cocoa, handcrafts, and the select list of products that currently see some fair trade?

**WEB RESOURCES FOR NECESSARY DATA:**

Sources: United Nation's Database on trade by country and commodity:

<http://comtrade.un.org/db/>

**RESTRICTIONS:** Can have a maximum of three students handing in a joint project. Report cannot be longer than 4 pages of text (double-spaced) with an extra page allowed for charts and graphs.