

The Unfairness of "Fair Trade"

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Hopkins's Pura Vida Café prides itself on being the first "fair trade, certified organic Pura Vida coffeehouse in the Baltimore area," as its Web site declares. Fair trade, as opposed to free trade, demands that trade is only permitted on terms that meet certain economic and environmental conditions.

Hopkins is not alone in joining the fair trade bandwagon. It seems to be Hollywood's latest fashion as celebrities such as the members of Coldplay, Angelina Jolie and Bono talk frequently about making trade "fair."

Their intentions appear to be noble and humane - a grand effort to lift developing countries out of poverty and "protect" them from the ups and downs of the free market.

However, as Nobel-winning economist Milton Friedman said, "One of the great mistakes is to judge policies and programs by their intentions rather than their results." And the results of such a policy of "fairness" are, most often, cruel unfairness.

Unlike free trade, which is by definition a mutually beneficial agreement, fair trade cannot help but harm every party involved.

It is harmful, first, to the American consumer because it ignores the laws of supply and demand. It hikes up prices under the assumption that government officials can establish a price fairer than the market. But who is to say what price is fair? If countries freely choose to make a trade because they believe it in their best-interest, is that not fair?

As Cato Institute associate policy analyst James Bovard said, "Fair trade means government officials decide what Americans should be allowed to buy and what prices they should be forced to pay. Fair trade is paternalism in international commerce." The American consumer is robbed of a fair price. And as a consequence of this, he will have less money to invest in productive industries, resulting in an overall decline in the American economy.

Proponents of fair-trade would say that wealthy nations such as America can afford to suffer a little if it means the development of less fortunate nations. But this too proves to be false as fair trade protectionism harms developing countries significantly more than it helps.