

# Systems, solidarity and fair trade

Tony Brauer, Maria Angela Zamora Chaves and Mike King

**Tony Brauer** has worked in the not-for-profit and education sectors in the UK and Africa most of his life. His postgraduate degrees are in systems, philosophy, global development, adult education and business, and his doctoral thesis was on 'The Equitable Construction of Social Institutions'.

**María Angela Zamora Chaves** is Sustainability Manager of CoopeVictoria RL, a cooperative of small Fair Trade farmers in Grecia, Costa Rica. Maria Angela's career has involved many development and sustainability projects. She teaches business studies and social economics at the University of Costa Rica.

**Mike King** attained a 2:1 BA(Hons) Regional Development Studies degree in 1983. As a professional academic librarian, he taught information literacy to social workers and nurses for 28 years, gaining a PGCE in HE (2005). He has been the Chairman of the Wycombe For Fairtrade Steering Group since 2008.

## Abstract

The words *fair trade* are simple, but the ideas behind them are complex. Systems thinking allows an accessible, pluralistic response in which diversity is a bonus rather than a problem, while the model developed here offers a coherent framework for some familiar ideas, and some perhaps less so. A key distinction is made between procedural and reconstructive fair traders. Procedural fair traders focus on making market procedures more equitable. Reconstructive fair traders seek directly to repair social and environmental inequities arising from market and other systemic failures. These roles are seen as complementary rather than mutually exclusive. Procedural reform of the market rewrites the role of intermediaries in the supply chain from profit maximisation towards facilitation. At the same time, both types of fair trader are concerned by the market's tendency to externalise social and environmental costs. Both types of fair traders also recognise the importance of consumer awareness: corporate behaviour is influenced both by the aggregate of purchasing decisions and by reputational concerns. All of these factors can be understood in the context of an holistic systems view of fair trade in three dimensions: the qualitative narrative, the quantifiable evidence, and the realities of ethical pluralism. This first model is fairly abstract, although underpinned by genuine experience. There is a further step, in which the contribution of this generalised model to the strategies of fair-trade enterprises will be explored.

**Keywords:** environment; equity; fair trade; participation; solidarity; systems modelling techniques; systems thinking; well-being

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## Introduction

This discussion has one principal objective: to explore how systems thinking can be used to inform the understanding of fair trade. This seems appropriate as the perspective embraces diversity and encourages participation, two of the key values of fair trade. (Because this accessibility is seen as ethically crucial (Dine, 2008), Appendix 1 gives a brief illustration of how systems thinking can be introduced in non-academic environments.)

In this context, systems modelling techniques and the description of fair trade in systemic terms can take place in parallel. There is first a general introduction to the systems technique used here. Thereafter, it will be shown how free trade relies on a very restricted perception compared to the more holistic fair trade model. The emergent model offers two main benefits. The first is that there is a coherent explanation in systemic terms as to why fair trade may be preferable to a free market ideology. The second benefit is that the model clarifies some of the debates within the fair trade movement (Tiffen, 2019).

The comparison of free trade with fair trade will probably be familiar. There are two main problems with free trade. First, there is the question of unfair terms of trade, which requires changes in market procedures. Second, there is the question of inequitable opportunities and outcomes. We do not all receive the same endowments and opportunities. We do not all benefit in the same way from the outcomes of market exchange. In system modelling terms, these will be identified as problems with processes, inputs and outcomes.

The responses of the fair trade movement show a fair degree of variety. Those who are concerned with terms of trade will have a different focus to those who are more concerned with equality of opportunity or with social and environmental inequalities. The terms of trade focus will be described as procedural fair trade, and the response to inequalities of opportunity and outcome as reconstructive fair trade.

Each may be regarded as a perverse intervention in the free market, but, although the free market is a persuasive abstract idea, every market is shaped by social institutions. Whether it is productive and equitable depends on the nature of those institutions (Jackson, 2009; Nozick, 1974). The question seems to be how individual or collective enterprise, procedural fairness and reconstructive action are to be optimally integrated. Free traders are likely to argue for minimal intervention: if each of us pursues our own interests, so the argument goes, the market will ensure optimisation. For fair traders, both self-regulation and the promotion of appropriate legislation are ethical responses to the inherent weaknesses of free markets (Fairtrade Foundation, 2016).

From this difference arises a difference in behaviour. A free market intermediary feels entitled to maximise the profit of their enterprise. The role of the fair trade intermediary is more as a facilitator; any share of the benefits of trade are proportionate to their contribution to that trade rather than whatever their privileged circumstances allow them to claim.

The ideas outlined above are a reflection of experience. The contribution systems thinking makes is to put them into an explanatory framework which also enables other relevant issues to be explored. In part this is because the systems model that is used integrates qualitative, quantitative, and ethical analysis.

To help achieve this integration, graphic descriptions are central to the technique. As Meadows (2008, p. 5) put it,

words and sentences must, by necessity, come only one at a time in linear, logical order. Systems happen all at once. They are connected not just in one direction, but in many directions simultaneously. To discuss them properly, it is necessary somehow to use a language that shares some of the same properties as the phenomena under discussion. Pictures work for this language better than words because you can see all the parts of a picture at once.

Diversity and pluralism are also important. Different people will have different views of the world, and rather than seeking a single ultimate truth, the aim is to develop skills of living with difference. This requires us to live with a certain degree of uncertainty. In Sen's words,

A good statement about an inherently imprecise concern – and most important concerns in the world are imprecise – must capture that imprecision and not replace it by a precise statement about something else.

(Sen, 2014, p. 6)

The systems thinking perspective does not pretend to offer perfect answers, partly because perfect questions are few and far between. However, the techniques used here may help to clarify some questions, at the same time as encouraging people to live with the diversity of their answers.

## A Brief Introduction to Systems Thinking

Cultures differ around the world. However, there are many common ideas. A global majority can be expected to recognise time, causality, the capacity to make decisions and to learn. We form groups and live with cultural diversity. We see interconnections and interdependence. We are capable of both analytic and holistic reflection.

In systems thinking, these ideas are integrated (Brauer, 2018; Checkland, 1999; Reynolds & Holwell, 2010). The basic model is a narrative.

*There is a situation. We act. The situation is now different. This difference will impact on the wider world. The impact may be great or minimal. It will often be a surprise. We can try to understand what has happened. Next time we may act differently.*

*We need a reasonable and equitable way to make decisions. The cultural context affects all our perceptions. We will pay attention to detail, but interconnections are complex, so we also need to be holistic.*

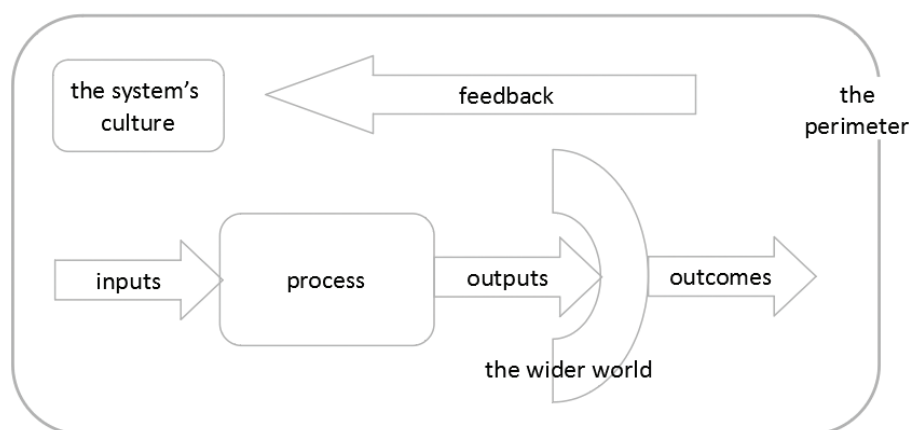
This can be formalised both verbally and graphically using eight elements. Verbally, first: some group among us has a particular concern (so there is a *boundary*), that we want to look at in a particular way (*systemic values*). We select a starting point (*the inputs*), and then look at what develops (*process/transformation*). There will be some fairly obvious and immediate results (*the outputs*), but they will impact on the *wider world* over which we have relatively little control. We will call these further consequences *outcomes*. When we look at what has happened, we may want to make changes to the system, and this is undertaken through *feedback*.

Graphically, the model is represented in Figure 1.

Whether this pattern represents a truth about the universe or about the way we evaluate experience is open to question. What is important is that in practice the framework seems to enable us in many circumstances to make decisions that lead to acceptable outcomes.

For those new to the approach, there is sometimes confusion between the system framework and the specific use it is being put to. One way of keeping this clear in the mind is to distinguish between form and content. For example, whether the subject of a Japanese haiku is a cup of coffee or a yellow rose, the form is always five syllables in the first and third lines, and seven in the second.

In fact, the form of systems diagrams is a lot more flexible than that of the haiku. For example, systems are nested: any part of the system can be taken out and explored as a sub-system, or the system can be seen as part of a wider system. To take another example, each element of a system is connected to all the other elements. This means that feedback is rarely as straightforward as a single arrow suggests. Change the values and the outcomes will be evaluated differently. Change the way we see the outcomes and we are likely to want to change the inputs and the process. Who has a stake in the system will depend on what is included within the perimeter, but what is included will depend on who has a stake.



**Figure 1** A basic system model

This potential to address complexity goes back to the idea that a good statement about an imprecise concern must seek to capture that imprecision rather than make a precise statement about something else. The holistic nature of systemic thinking can also be recalled: one can walk in a straight line across a landscape, but the rest of the landscape does not cease to exist.

Systemic thinking, then, is about the capacity to place particular experiences in a wider context. The specific technique that will be used here relies on the system model described above, applied in three dimensions: the qualitative narrative, the quantitative evidence and the diversity of ethical perspectives. How this works will be seen as the narrative develops, beginning with the appealing simplicity of free trade theory.

### A Systemic View of Free Trade Theory

The essence of free market theory was established in 1776, in Adam Smith's *The Wealth of Nations*. He said that the market does not require mutual sympathy. If we specialise, we can produce more. I specialise in tomatoes. You specialise in apples. However, we both like a varied diet. If we exchange some apples for some tomatoes, we are both better off. This transaction offers mutual gain whether we are friends or not.

This is a correct, though very limited, narrative. At the beginning, you have apples and I have tomatoes. The transaction is voluntary and transparent. We exchange. The output is a varied diet. We both benefit. Self-interest is sufficient to maximise added value. Note that in systems terms (Figure 2) this is a very reductive model.

An obvious potential addition is an information flow (Figure 3). In the market, when we pay for something, we send a signal to producers about our preferences. The information is used as a feedback control (Figure 3) (Porter & Millar, 1985).

This process is described as consumer sovereignty. The theory is that resources are assigned efficiently to produce what consumers want. Obviously, if the information is distorted, the market is no longer efficient. Why might that happen?

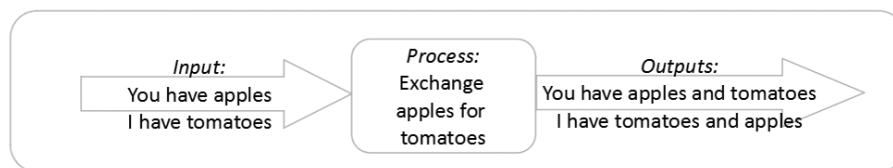


Figure 2 A basic exchange



Figure 3 Feedback

## Market Failure

The market is gradually being seen in a more holistic way. As a first step towards holism, rather than seeing each transaction as complete in itself, another two elements of the system framework can be introduced: the *wider world* and *outcomes*. In Figure 4, in the background, domains are also indicated, to help identify the parts of the system controlled by the producer, the intermediary and the consumer.

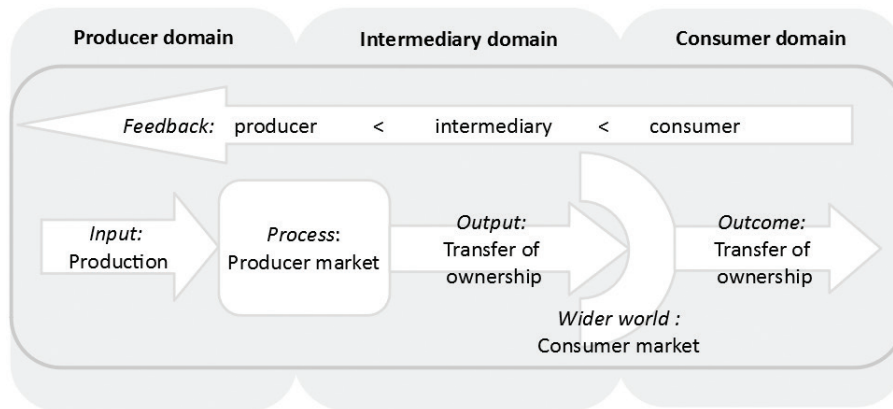


Figure 4

The verbal narrative runs like this: you produce coffee beans. An intermediary buys them from you and sells them to me as the end consumer. More links in the chain can, of course, be introduced, but the important point to emphasise is that the intermediary operates in two markets. While the goods flow in one direction, and the information and money flow in the other, the flows are not transparent and continuous, but through the intermediary. Those intermediaries can capture disproportionate added value. There are counter strategies such as dealing directly or establishing alternative routes, but these are not always available to small producers (Edelman, 2014).

The first inherent market failure has been established: imperfect information. In practice, the free market criterion of perfect information cannot be achieved, because it has an infinite cost. Rational participants therefore have to accept certain levels of ignorance, and consumers in particular seem to accept much of what they are told (Foxman and Kilcoyne, 1993; Nelson, 1970; Urbany and Dixon, 1988).

It is at this point that a distinction between intermediaries and facilitators emerges. All those who act as a link between two other actors can reasonably be called *intermediaries*, but the term will be used here as a reference to those who seek to maximise their profit from doing so. This can be achieved by buying at a low price and selling at a higher one, or by demanding a share of the value. For the intermediary, self-interest creates an incentive to conceal contacts and offer different narratives to different people (McCall-Smith & Rühmkorf, 2018). Information is distorted. The market becomes less transparent. Self-interest reduces consumer sovereignty. The outcomes are sub-optimal by the market's own criteria.

However, there are those who take the opposite view: poor information reduces the equity as well as the efficiency of the market, but rather than seeking to exploit this, *facilitators* seek to make information flows more transparent and equitable. They may make a living by doing so, but on this definition are bound by ethical concerns, so that their value to the process is not achieved by deceit or concealment.

The simple facts of location and distance clearly influence the opportunities for intermediaries and the need for facilitators, so that participants in global markets are potentially particularly vulnerable. This is intensified because any attempt to regulate information in the market will be faced by diverse cultural attitudes towards

**Table 1** Market failures

Type of failure	Process	References
Transparency	Firms seek to distort information to maximise profits without suffering reputational damage. Consumers can be the victims.	Sirgy & Su, 2000
Monopoly (1)	Firms seek to reduce competition and dominate markets. This reduces the freedom of consumers to make free choices and discourages new entrants to the market.	Deans, Krueger & Zeisel, 2002
Monopoly (2)	Dominant firms can be less innovative and efficient, reducing the range of products and raising costs and prices.	OMI, 2020; Shapiro, 2011
Externalisation of costs	To increase profits, firms will seek to avoid being held responsible for the whole range of social and environmental costs.	Awan, 2015; Blanton and Pekson, 2017; World Bank, 2020a, b
Inequality of opportunity	Inequality of opportunity is widely recognised as unjust in itself, but also reduces full participation in productive activity.	Ennis, Gonzaga & Pike, 2017; Lonergan & Blyth, 2020

transparency, intervention and fairness. Globalisation also increases the complexity of information, even if, at least in theory, at the same time information technology increases transparency. Furthermore, as both the 2007/8 financial crisis and the COVID-19 pandemic have proved, crises tend to be amplified by the lack of international barriers, and risk becomes increasingly difficult to evaluate.

Globalisation is thus both an opportunity and a risk. To optimise the opportunity and minimise the risk, the root causes of a range of market failures need to be understood, as well as the role ethical trading can play in reducing their impact. Table 1 identifies five of the most prevalent forms of failure that are built into the dynamics of market behaviour.

In systems terms, these are all examples of control failures; that is, of ineffective feedback (see Appendix 2 for more detail). The feedback loops that should restrict those failures can face stiff opposition from the argument that while markets are fallible, intervention is worse (Swan, 2016).

Not surprisingly, many firms support this view, and there are few incentives to present themselves in such an unflattering light. Their intention is to create an image of efficiency, fair trade, transparency and best value. However, we cannot, as consumers, be confident that the image is true, and that the market will respond to our priorities.

The same incentives, of course, apply to profit-oriented intermediaries. One of the roles of fair trade facilitation is, therefore, not only to act on principle, but to encourage the wider transparency of markets and to develop systems of assurance on social and environmental practice.

Fair traders are continuously developing their technical and institutional capacity to do so. Nevertheless, the consumer will still make decisions based on their personal preferences and perceptions of the world.

### Consumer Attitudes towards Markets and Fair Trade

One important distinction about consumer preferences is between simplistic and holistic views of the world.

Market theory offers a reductive view. The market is said to transform the pursuit of self-interest into the greatest good. Low wages and environmental damage, for example, are accepted if the product and the price are attractive. By ignoring the wider issues of well-being and equity, personal preference is equated with social responsibility. Virtue is reduced to keeping the money turning over (Stiglitz, Sen & Fitoussi, 2009) and being encouraged always to put oneself first is an attractive argument.

Another group of consumers will have more extensive priorities. However, discovering the information is costly. The consumer has a conscience, but too little time to learn everything about the product. The high cost of information is another opportunity for vendors. The market is distorted by the exploitation of rational ignorance, often assisted by long supply chains.

Fair trade facilitation is vital here. With transparency, consumers can make their priorities effective and exercise their sovereignty.

Two particular types of consumer response are then evident (Campbell, Heinrich & Schönmueller, 2015; Ferrell, 2011; Tiffen, 2019). One response is like the free market position. Monopoly and inequality of opportunity are the focal problems. Small producers do not have a strong negotiating position in international trade. This market failure can be remedied by paying a compensatory premium to producers. The consumer uses the market to signal that they require a fair price to be paid. They do not, however, say how the producer should use the premium.

The second response prefers more intervention. The priorities are to reduce inequality of opportunity and externalisation of costs. Production is seen in context. Social inequalities and environmental destruction can be an immediate problem at the local level. There are also wider problems of sustainability and intergenerational justice. Consumers who prioritise social justice and sustainability will pay a premium to producers who have social and environmental policies.

We can see, therefore, that within fair trade priorities may be more or less interventionist (Schmelzer, 2007). Some fair traders will believe that the reform of market procedures will address social and environmental objectives. Others believe that more direct intervention is required. The difference of emphasis seems to be about how to achieve equity and sustainability rather than of the need to do so.

In systemic terms, both attitudes function through feedback. We observe the market. We detect market failures. We can then use feedback to address procedural failures in the market. However, we may prefer to use feedback to remedy the wider consequences of both market and political failure. The first position can be described as procedural fair trading; the second as reconstructive.

There is a further question here. Clearly, reconstructive fair traders are likely to accept other forms of intervention. Social reconstruction cannot be achieved through the market alone. In contrast, procedural fair traders may be against social intervention, and may adopt a minimalist position requiring only financial good conduct, product liability and transparent property rights. Can procedural fair traders, however, compete effectively with free traders without the support of legislation? Are reputational sanctions sufficient, for example? Is intervention in the market unavoidable?

Fair traders are entitled to adopt different positions on these questions. A little later this ethically pluralist position will be explained. Here it is perhaps possible to rely on the idea that

Rather than being either 'in or against' the market, Fair Trade can be analysed as a complex and multi-layered process of social defence against destructive effects of the unrestricted market.

(Schmelzer, 2007)

This perspective seems to rely on a recognition that free trade and the centrally planned economy are simply the imaginary extremes of a theoretical continuum. In between, in the real world, economies are always embedded in social environments which correct market imperfections more or less effectively. For this reason, the interaction of lower and higher intervention markets will be represented in later diagrams by a symbol of complementarity favoured by Niels Bohr (1939): ☯ (The principle is similar to the merging of ideas through thesis, antithesis and synthesis: Maybee, 2020.)

Indeed, the term fair trader itself implies a certain level of ambiguity, and a willingness to accept complementarity. Fairness is an ethical quality, while trade is grounded in the clarity of quantitative evaluation. In the next section it will be shown how this complementarity is treated in systems thinking through the medium of narrative.

First, however, a summary of the story so far.

Self-interest can only produce optimal outputs in the simplest cases. The reality is more complex, with markets vulnerable to a variety of market failures.

Transparency can reduce frequency and impact of failure. This is one common objective for fair trade facilitators. However, fair traders do differ about other objectives. They may prioritise procedure, working to



improve market functions. Others may have wider social and environmental objectives that they wish to support with market activities. Procedural fair traders may admire the market more than reconstructive fair traders. The two types will probably differ about the level of intervention that is desirable. However, for either group or both groups to be successful the cooperation of others is needed, and so political strategies are essential.

### Testing the Narrative, Explaining the Ethics

A systemic fair trade narrative is emerging, but to persuade others both evidence and an ethical explanation are required. This systemic approach is designed to help structure those conversations (Brauer, 2018).

The first step is to use the narrative model to identify matters of fact. Consider, for example, the reductive, simplistic market theory model (Figure 5).

In this narrative, everyone can participate as a vendor and as a consumer. The argument now shifts from the narrative to the evidence. For example, does the evidence support the perception of equitable access to the market? There is an implicit claim that choice is free and fully informed, but in practice how transparent are transactions? Market preferences are said to influence production decisions, but to what extent do consumers choose between what they are offered rather than choose what is offered? The market may offer added value, but how equitably is it shared?

It is not only the questions that are important, but the type of evidence that is recognised as relevant. Market theory focuses on monetary value rather than holistic well-being, and if we measure consumption by economic activity – Gross Domestic Product, for example – the market looks good. However, that is a circular argument. Economic activity is what the market does. What happens if we measure well-being as the outcome of the activity?

The questions now become more holistic. Do all people have equal opportunities to participate? Is there genuine free and fair choice, including in the labour market? How much does the market really contribute to well-being? The simplistic market model needs to be expanded. It is not just the monetary value of production and exchange that is important, but the impact on people and the environment of the way we do it. In system terms, we add questions about the wider world and outcomes as well as outputs, and the feedback loop becomes much richer.



Figure 5 Market theory as a simple system

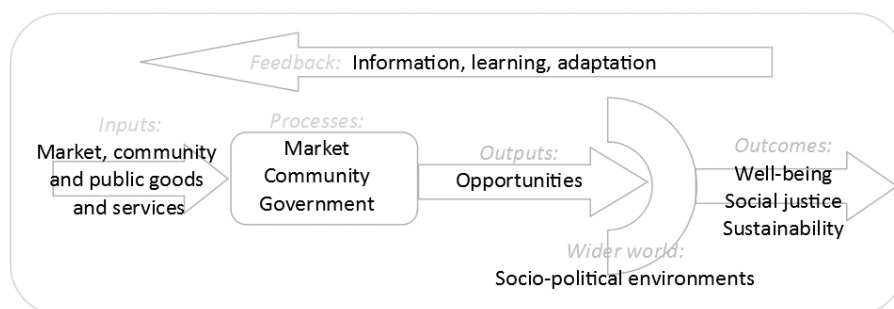


Figure 6 The well-being/solidarity economy



In this more holistic model, well-being is about much more than the consumption of economic goods and services. Rather than focusing on the quantity of outputs, we are concerned with the quality of outcomes. Communities and governments as well as markets contribute to well-being. Feedback is directed to intelligent adaptation and evolution as well as to identifying market opportunities. The model has become richer, and the focus shifted. Rather than restricting our view to market relationships, the totality of social activity is seen as leading towards well-being (Figure 6).

Questioning the questions is important, but the new questions that have evolved still have to be answered. Hyperactive markets are no longer equated with well-being. The distribution of rewards is not seen as necessarily equitable. However, there will still be those who say that well-being and equity are best served through the free market.

Interestingly, this argument is still based on Adam Smith’s assertion that through the market we are

led by an invisible hand to make nearly the same distribution of the necessities of life which would have been made, had the earth been divided into equal portions among all its inhabitants.

(Smith, 1759)

Although variations on this argument have been dominant in much of the world for forty years or more, President Biden has recently offered a decisive challenge to it (Elliot, 2021). So, what do the data have to say about the capacity of different socio-economic models?

The core measure of inequality used by the United Nations is the Gini Index (World Bank, 2020b). The most unequal society would score 100. The most equal would score 0. To illustrate how the data inform the argument, a comparison between well-established socio-economic systems is helpful. The market-based economy of the USA has high inequality: a score of 40. Sweden, Norway and Denmark, which are more redistributive, have scores below 30 (World Bank, 2020b). Comparing these data, Smith’s argument looks weak. A more equal distribution seems to come where markets are modified by democratic government.

This is, of course, a simplified illustration of how systems develop a quantified dimension to a qualitative narrative. How might one explain the Russian Federation’s Gini Index of nearly 40, or Costa Rica’s at 48? Nevertheless, the discussion is at least now clearly structured, and evidence identified. However, as well as a narrative and the evidence, any argument has an ethical dimension. The contribution that systems make here is to show how ethical pluralism can be a strength rather than a weakness.

This need arises because our ethical beliefs and our priorities are diverse. Understanding each other helps us to live in peace (EIESL, 2011). In the diagram (Figure 7), people identify with different elements of the system. In this view, ethical concerns reflect the focus of attention rather than mutually antagonistic positions. (Again, please note: this is illustrative, not definitive.)

There is no assumption that ethical arguments can be conclusive. Procedural fair traders, for example, might argue that once the terms of trade are sorted out, producers should be free to use their profits as they



**Figure 7** Mapping ethical pluralism

choose. Reconstructive fair traders might reply that, even if the terms of trade are right, access to the market depends on equal opportunities and market outcomes will still include failures that require remediation.

We probably have to learn to live with ethical pluralism. Understanding each other's points of view is perhaps in general a better strategy than trying to force others to conform to ours.

### **Completing the Model – the Perimeter and the System Culture**

Only two elements are needed to complete the prototype: the perimeter and the system culture. The perimeter has two functions (Freeman et al., 2012; Ulrich, 2020): what are we discussing? Who decides what we will do?

For fair trade, the perimeter is the international market. Everyone will influence what is done. Everyone is entitled to make decisions, but only in the context of other people's decisions. The level of participation varies. Within the fair trade tradition, for example, worker consultation is a minimum criterion, and full participation is often preferred. Where market theory predominates, market transactions are thought to express the full range of the individual's preferences. The perimeter determines not only who has a voice, but what they are entitled to talk about.

Thus, decisions about the perimeter strongly influence the systemic culture (Morgan, 1997). If all we are concerned with is market exchange, the culture will predominantly be based on self-interest and competition. Fair trade, on the other hand, is based on solidarity, and is cooperative; but these two perspectives can be complementary. While competition creates incentives, cooperation allows us to create norms that inhibit the destructive extremes of competition. A combination of cooperation and competition may be the most effective systemic culture.

From this point of view, the competitive market is a beneficial social institution as long as it is seen in the wider context. The market is liable to failure in terms of equitable opportunities and outcomes because of imperfections in its processes. Procedural fair traders seek to limit the imperfections. Reconstructive fair traders seek to counteract the opportunity and outcome failures. All fair traders will act directly, as well as seeking to persuade others to develop a holistic view of how to achieve equitable well-being.

We now have the contours of a prototype. We can check that all the system elements have been considered by using a system diagram and a verbal description (Figure 8).

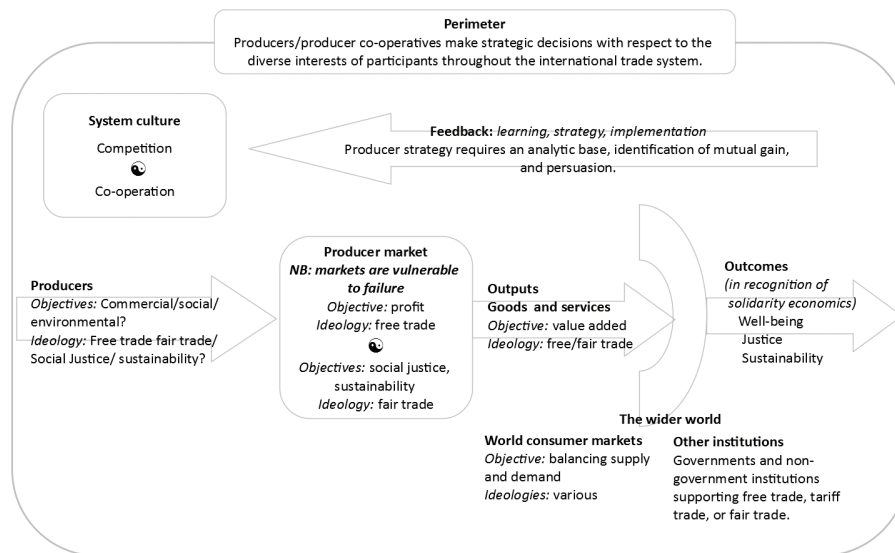
### **A Systemic Description of Fair Trade**

The systemic analysis is designed to help producers or producer co-operatives develop strategies. Within a complex human system there may be many groups of decision makers. Clarity is needed about who makes which decisions, and differences of perspective need to be understood.

The system culture will be both local and international. There will be diversity in each. Competition and cooperation often seem to be contrasted, as is evident from diverse attitudes towards free trade, fair trade and tariff trade. Competition and cooperation, however, are perhaps best seen as complementary.

At the local level, the producer organisation will have commercial, social or environmental priorities. These may or may not be aligned with local practice, but fair trade requires the alignment of the values of producers and consumers. For procedural fair traders, the key question is whether producers can negotiate equitably in the market. Other fair traders believe that a premium contribution towards reconstruction is needed if we are to achieve social justice and sustainability.

All fair traders are likely to understand that the market is not a magic mechanism. If it worked perfectly, the outcomes might be optimal. However, in practice there are inherent vulnerabilities that lead to market failure. These include incomplete information, monopoly, barriers to market entry, externalisation of social and environmental costs and inequality of opportunity. Without correction, the market does not produce optimal outcomes.



**Figure 8** A systematic description of fair trade

Market vulnerabilities create opportunities for unfair practice. These can be resisted through legal and social sanctions, but some economists seek to persuade traders that their only duty is to maximise their profits (Friedman, 1970). Alternatively, fair traders choose self-regulation, often employing principles of mutual responsibility and social justice.

Cooperation between producers and fair traders leads into the consumer market. In market theory, demand creates supply, and self-interest is sufficient: the principle of consumer sovereignty. In practice, the market is inevitably more complex and liable to failure. Many social institutions influence the efficiency of the market in meeting people's needs. To repeat the point, alignment of values between the producer, the fair trader and the consumer is necessary. If the institutions of the consumer market, including laws and social norms, are badly designed, outcomes will not be optimal. Political activity, as well as the market, is vulnerable to abuse and failure.

It is important, therefore, to influence these wider world institutions. Normally, small producers have little direct influence. To succeed, they must rely on fair trade institutions and consumers. This requires the creation of communities of shared values. Those outcome values may be described as holistic well-being, social justice and sustainability.

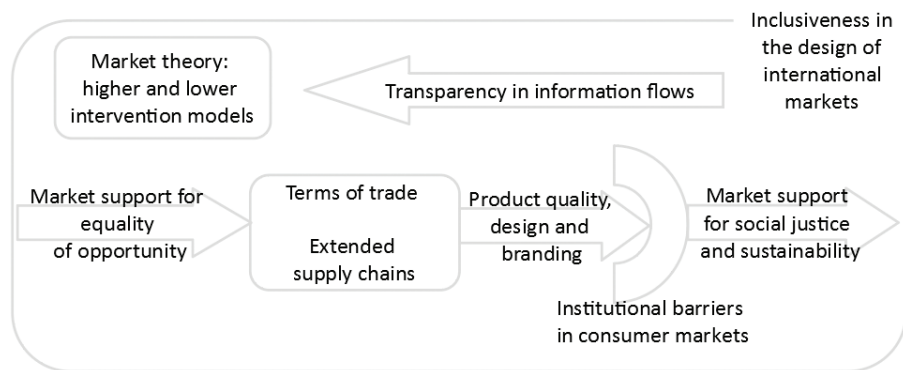
Continuous awareness, learning and adaptation are essential to evolution. Networks, alliances, advocacy and persuasion will form part of the strategy. Allied to this are excellence in production and a genuine contribution to a better world.

Not everyone will agree about how to do this. Justice, however, is a widely shared value. As a minimum requirement, everyone should have a fair opportunity to achieve well-being. As this applies to future generations as well as those alive today, sustainability would not seem to be a controversial criterion.

A priority for fair traders may be to counteract the mythic ideal of free trade. In free markets failure is frequent, and outcomes habitually sub-optimal. We can imagine a better world, and fair trade recognises the obligation to make it happen.

## The Next Steps

This paper has been mostly theoretical. Systems modelling has been used to discuss why markets fail and why the pursuit of self-interest is not enough to achieve fair trade. The collaboration with a fair trade co-operative in Costa Rica has been an essential part of testing the theory for relevance. There is a second paper under way exploring the practical implications further. The insights of fair traders around the world will be welcomed.



**Figure 9** Key strategic issues

During this discussion, several issues have emerged as being ready for further exploration. The first field of concern includes extended supply chains, the roles of intermediaries and facilitators, and institutional barriers to producer access to consumer markets. Second, there is the question of how procedural and reconstructive fair trading can best interact. Third, there is the continuing debate between holistic and reductive economic theory. Fourth, there are questions about how power is distributed in shaping the global economy.

These can be mapped onto the basic system model. There are significant issues for each element of the system, save one: outputs. Being true to a holistic view, we might therefore add product quality, design and branding as a concern which can be crucial to market participation.

To end on a hopeful note: the debate is certainly alive. Organisations such as B Corps (2020) are developing tools to build on more traditional fair trade practice, while seeking to harness the power of the market to ethical ends. There is also a possibility that COVID-19 and climate change will widen awareness of the need to re-evaluate our institutions, including, essentially, the global economy (Stiglitz, 2020).

A systems approach has much to offer. If we are all in it together, it seems likely that we must learn together. Systems thinking supports that principle: a shared, flexible, holistic, accessible model embracing diversity rather than seeking to enforce orthodoxy. If you have ideas about this that you would like to share, please get in touch.

## Appendix 1: The Accessibility of Systems Thinking

The system model used here has been developed to reflect a common pattern in the way that people interpret events. Because of this, the formal structure of inputs, processes, etc. can be applied to personal experiences such as having friends round for a meal. That is a typically useful exercise, but the format can also be applied to folk tales, such as the Costa Rican legend of Joaquin of Cartago (Kostaryka, 2020).

*Input:* Joaquin lived with his parents in Cartago.

*Process:* He spent his time drinking in bars.

*Output:* His father finally threw him out, and Joaquin became a lonely black dog.

*Wider world:* Other men who go drinking too much . . .

*Outcome:* . . . will find a lonely black dog following them.

*Feedback:* So, respect your family.

*Perimeter:* . . . in the fine city of Cartago.

*Culture:* . . . where many act correctly, but some suffer disgrace.

In this way, the modelling technique can be acquired very easily so that a common framework of understanding can be shared.

## Appendix 2: System Feedback and Market Failure

Sustainable systems adapt to internal and external change. Change must be identified and analysed. Responses must be designed, and implemented (Buckley, 1968; Cardoso Castro, 2018). The outcome may be adaptive or maladaptive and may vary over time.

Are market failures likely to be self-correcting? The profit motive suggests not. There are strong incentives to stifle competition and externalise costs. For example,

- Vendors have incentives to diminish transparency, against the interests of consumers.
- Economies of scale may benefit consumers, but savings in costs of production are often captured by monopolies, which can then become lethargic and inefficient. The market may be self-correcting as more agile competitors capture monopolies' markets, but most nations find it necessary to rely on legislation.
- Externalisation of costs increases profits. This may be disguised. In the USA in 2019, the oil and gas industry spent \$125 million on lobbying (Statista, 2020). It is not always clear in whose interests that money was spent (Looney, 2020; Monbiot, 2019).
- The free market privileges the rich, not least through inheritance. This is a self-intensifying feedback loop. Inequality of outcome might reflect merit, inequality of opportunity does not (Robeyns, 2005).

To counteract these failures requires social pressure, legislation, and redistributive measures. Opposition to this usually claims the failures are minor imperfections in the wealth creation process. Unfortunately, some of those imperfections cause serious and irreversible damage, and the rapid circulation of money should not be confused with genuine and equitable well-being (Stiglitz, Sen & Fitoussi, 2009).

In conclusion, every system needs to adapt to internal and external perturbation. The market is not self-correcting. Inherent weaknesses prevent optimisation unless there is legislative or normative supervision. Fair traders are happy to contribute to both, in the general common interest.

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