

AN ETHICAL TRADER

Part two of three social fictions that explore the idea of an ethical contract trading system. An Ethical Trader examines the details of the system, the exact methods and values of the financial transactions involved in the trading of ethics on the exchange. Remember, the price of your ethics can go down as well as up.

As one of the founding members of the London Group, John was involved in the original coffee house on Lombard Street. The trading group started off simply enough. He was part of a group of entrepreneurs, quantitative analysts, and financiers. The goal was straightforward; they wanted to raise the profile of various 'ethical' goods and services. Originally there were *Fair Trade Importers, Organic Producers, Recyclers' Consortiums* and even *Neighbourhood Watch* representatives. His speciality and the syndicate he ran were centred on a manifesto for a fairer deal for the world; *Fair Trade* and *Non-Abuse* contracts featured heavily.

In those first mornings he would meet with fellow traders in the coffee houses of Lombard Street, Evans & Co. being the favourite haunt. This was before the corporate take overs, the official office premises and trading floors took their place. They would meet up to trade their Names contracts with each other.

This is how it worked: they would invite companies to pay into the scheme; it was billed as an ethical insurance scheme combined with offsetting. The large London corporations were only too pleased to have an official outlet for their corporate social responsibility. It was good PR for them, and good PR for those involved with the system. But it was considerably more than that. Having invested money into the system, this gave an ethical credit unit balance. An Ethical Currency Unit is the internal currency of the system and is known as an ECU.

Fair Trade goods for example have a premium attached to them, a 30% addition. £100 becomes 130 ECU. Each ethic would have its own premium between the syndicates and the exchange price in general, and over time this would fluctuate between the market and the individual corporation. Individuals could also put money into the system, if there was something they cared deeply about; these individuals would seek a trader to broker contracts for them.

Once money was in the system, ethical traders would seek to find Names to trade into the system. Names would become the individual backers of ethical contracts that would sell on the market. These contracts would be highly standardised. As his speciality was *Fairer World Ethics*, he would typically ask his Names to make commitments on purchasing *Fair Trade* only to a specific value. As a motivation to complete the contract, the Name would earn a percentage of the ethical balance.

If they were honouring *Fair Trade* contracts which had, for example, a 30% premium attached to them, they would earn 130 ECU for each completed contract. If they completed only half the contract then they would get only half the ECU credits, with the remainder being returned to the person who originated the contract. There would be a minimum percentage of the contract that needed to be fulfilled. This was conducted amicably within the system, and an ethics trader would be managing syndicates to make sure they helped each other out; they had a vested interest in doing so.

As traders, they would act as brokers. They brought the different parties together. He was particularly apt at encouraging specific companies, such as importers, into the system. He would then find matches between the differing parties. This meant that importers, who were not able to completely source all their good from certified fair trade sources, were able to purchase *Fair Trade Ethics* from Names within the syndicate. These Names would then honour the contract through pre-arranged and negotiated means. He would facilitate the proofs, which in the original days were done via the syndicates' websites, which linked back to the exchange. It was the community of Names who spent the time verifying each proof claim. This was ok with

everyone, as the streams of data, receipts, photographs and videos were all semi-anonymous. Each was known simply by contract numbers, syndicate numbers, contract holders and honourees id numbers. It was by utilising the mass community that the contracts became verified and it was established how complete they were and when the transfer of ECU should go through. Traders would also facilitate the ECU-to-Cash conversions.

Ethics traders cannot be Names and they make their profits by charging a commission at various stages of the trade, in order to keep within the rules of the system and to avoid conflicts of interest. They would, however, charge varying commission rates on the different trades (2% from each Name on their ECU balance per contract, 3% to the ethics sellers putting money into to system, 5% on Names taking money out, and 2% on each ethics trade.) They would then take their commission out as a cash profit at the end of the trading year. They would also re-invest through a fixed commission of 10% on their profits as a contribution to the running of the system and the exchange.

The clever part of the system, and the reason why he, and the other traders would meet first in the coffee houses, and later in the posh offices of the official exchange in the city, was trading the different contracts between syndicates. This meant most of the credit was kept within the system. It also helped each syndicate to back up the different ethics they wanted to promote. This allowed traders to diversify their risk, by selling the contracts on. It also meant syndicates could back up *Fair Trade* with a whole host of additional ethics, such as *Organic Produce*. This was a good deal, since those certifying an organic standard in the main economy had recently withdrawn the marking for overseas goods; this had hit *Fair Trade* pretty badly in the produce market. By being able to claim organic and green credits again, this helped boost the syndicate's own ethical credentials with the wider public.

Key to this was not taking too many of the ECUs out of the system, but keeping them in circulation. This meant that he constantly called on those who were members and affiliates of his syndicates. Alongside encouraging those companies to invest in buying and offsetting ethics, he, along with the other traders would organise them into alternative syndicates. These became known as Corporate Ethical Vehicles (CEVs), and would act, with some minor adjustments, in the same way as Names. This would give them trading power by using their own ethical capital. So companies could pledge *not to use Child Labour* (a particular favourite as it was something the media was always doing exaggerated reports on, scaring people into altering what they would buy). Now they could get a Community Certified Ethic and get an additional ethical offset in return. Like the Names and syndicates, the CEVs would trade these ethics via traders on the exchange. The trader would look for a syndicate, or another CEV that would be willing to buy the contract, and contribute the ECUs involved. These would typically be those who had an ethical interest in the issue at hand.

While he had managed to encourage several philanthropists to contribute money into the system, it was mostly by trading different contracts via the exchange that the syndicates were kept afloat. This became known as creating an ethics chain, and it was something he was particularly good at generating. In a simplified form, he might find a company that was new to the system and looking for some basic offsetting for their Carbon Levels. He would then find a match for someone willing to make the Carbon sacrifice, perhaps a group of Names eager to sell a smaller commitment. He would then take those contracts, and sell them to Names who were keen on *Fair Trade*, and would be prepared to buy on behalf of others, offsetting

the group who were going to be carbon negative (they wouldn't now be able to purchase *Fair Trade* because of the food miles involved). This would then be exchanged to a CEV, which would want the *Fair Labour* contract, and be prepared to audit this to the community. Finally, he would encourage the CEV to sell to one of his syndicates, backing up an ethic such as a combined *Recyclables / Cleaner Neighbourhoods* ethic, which is something which could be realised by his Names, perhaps even earn them a profit.

All seemed well for a while. There were risks involved, the stark warning that 'the price of your ethics can go down as well as up.' Overall though – providing people and companies were involved for the long term – it was a stable market, and while the core reason for people to be involved was the ideal of backing up an ethical lifestyle, as well as supporting and backing up others, and the fact a modest return could be made wasn't bad either. As a trader, he was a key part in keeping that stability. He was reaping the rewards, but people felt he acted as a facilitator for the right reasons, and they trusted his decisions. However, as it was based on trust the market was lightly regulated. The mechanisms and the fluctuations in value, the way contacts were bought, sold, exchanged, and fulfilled were not tightly monitored. He would later live to regret these things. He was central to not only setting up the market, but also facilitating it, and soon, these new type of financial instruments attracted a group that saw a substantial opportunity.

Enter the 'Ethics Speculators'.

Fair Trade
Purchases

down 11%

Carbon Reduction
Credits

down 18%

Overt Politeness
Incidents

up 42%

