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ARAŞTIRMA MAKALESİ • RESEARCH ARTICLE

MODELING FAIR TRADE ADOPTION IN TÜRKIYE: A BEHAVIORAL MICROECONOMIC PERSPECTIVE

TÜRKİYE'DE ADİL TİCARETİN BENİMSENMESİNİN MODELLEMESİ: DAVRANIŞSAL MİKROEKONOMİK BİR YAKLAŞIM

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Öz
Bu çalışma, adil ticaret uygulamalarının benimsenmesini açıklamak amacıyla firma ve tüketici düzeyindeki karar süreçlerini politika ve kurumsal etkenlerle bütünleştiren davranışsal bir mikroekonomik model geliştirmektedir. Model, Türkiye gibi gelişmekte olan ekonomilerde Fair Trade piyasalarının neden sınırlı kaldığını açıklayabilmek için klasik fayda teorisini ahlaki fayda, kurumsal güven ve bilgi asimetrisi unsurlarını içerecek şekilde genişletmektedir. Üretici tarafında Fair Trade'e katılım, sertifikasyon maliyetleri, beklenen fiyat primi ve itibar kazancı arasındaki dengeye dayalı risk ayarlı bir karar süreci olarak ele alınmaktadır. Tüketici tarafında ise etik sertifikalı ürünlere yönelik ödeme istekliliği, gelir düzeyi, sertifikasyonun algılanan güvenilirliği ve ahlaki tatminin önemine bağlı olarak belirlenmektedir. Model, düşük güven düzeyi ve yüksek sertifikasyon maliyetlerinin piyasada davranışsal bir koordinasyon başarısızlığına yol açtığını, buna karşılık güvenilir kurumlar ve hedeflenmiş teşviklerin daha yüksek katılımlı bir dengeyi mümkün kıldığını göstermektedir. Karşılaştırmalı statik sonuçlar, sertifikasyon maliyetlerinin azaltılması ve kurumsal güvenin güçlendirilmesinin hem üretici katılımını hem de tüketici talebini birlikte artırdığını ortaya koymaktadır. Türkiye bağlamında, ulusal akreditasyon kurumlarının oluşturulması, farkındalık artırıcı kampanyaların yürütülmesi ve sertifikasyon süreçlerine yönelik mali desteklerin sağlanması gibi politika müdahalelerinin güçlü ağ etkileri yaratarak Fair Trade'in yayılımını hızlandırabileceği değerlendirilmektedir. Çalışma, sürdürülebilirlik alanında davranışsal iktisat literatürüne, kurumsal tasarım ile ahlaki tercihlerin piyasa oluşumu üzerindeki rolünü mikroekonomik bir çerçevede analiz ederek katkı sunmakta ve etik ticaret sistemlerinin güçlendirilmesine yönelik politika önerileri geliştirmektedir.

Anahtar Kelimeler: Adil ticaret, mikroekonomik modelleme, davranışsal iktisat, fayda maksimizasyonu, tüketici ve üretici davranışı, sürdürülebilirlik
JEL Sınıflandırılması: D01, D11, D21, D91, Q13, Q18

Abstract
This study develops a behavioral microeconomic model of fair trade adoption by integrating firm- and consumer-level decision-making processes with policy and institutional dynamics. The framework extends classical utility theory by incorporating moral utility, institutional trust, and information asymmetry to explain why Fair Trade markets remain underdeveloped in emerging economies such as Türkiye. On the producer side, Fair Trade adoption is modeled as a risk-adjusted optimization problem in which firms balance certification costs, expected price premiums, and reputational gains. On the consumer side, willingness to pay for ethically certified goods depends on income constraints, perceived credibility of certification, and the salience of moral satisfaction. The model identifies multiple equilibria and demonstrates that low institutional trust combined with high certification costs can trap the market in a behavioral coordination failure. In contrast, credible institutions and targeted policy incentives enable a transition toward a high-participation equilibrium. Comparative statics indicate that reductions in certification costs and improvements in institutional credibility jointly enhance both producer participation and consumer demand. Applied to the Turkish context, the analysis suggests that policy interventions—such as establishing domestic accreditation agencies, implementing awareness campaigns, and providing fiscal support for certification—can generate strong network effects that accelerate the diffusion of Fair Trade. The paper contributes to the behavioral economics of sustainability by linking institutional design and moral preferences to market formation and offers policy-relevant insights for developing inclusive and credible ethical trade systems in emerging economies.

Keywords: Fair trade, microeconomic modeling, behavioral economics, utility maximization, consumer and producer behavior, sustainability
JEL Classification: D01, D11, D21, D91, Q13, Q18

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1. Introduction

The Fair Trade movement represents a fundamental transformation in the relationship between trade and moral responsibility within market societies. Initially emerging as a solidarity-based initiative in the post-war period, Fair Trade has gradually evolved into a formalized institutional market framework that seeks to balance economic efficiency with ethical justice. At its core, Fair Trade is grounded in the idea that trade should not only generate economic value but also promote dignity, equality, and sustainability throughout global supply chains.

In classical microeconomic theory, producers and consumers are typically modeled as fully rational agents who maximize profit and utility solely based on prices and income constraints. However, decision-making in modern markets is increasingly shaped by behavioral and ethical considerations such as trust, fairness, and the moral satisfaction derived from contributing to socially desirable outcomes. These factors lie at the heart of behavioral microeconomics, which extends standard economic models by incorporating psychological and institutional dimensions of choice. Fair Trade therefore offers a particularly relevant setting in which conventional economic behavior intersects with moral preferences and institutional credibility.

In economies characterized by high levels of institutional trust and consumer awareness, Fair Trade has successfully transitioned from a niche ethical initiative into a mainstream component of sustainable trade. Northern European markets provide illustrative examples where credible certification systems, combined with supportive public policies, have enabled ethical intentions to translate into stable market participation. By contrast, in countries where institutional credibility and consumer awareness remain limited, Fair Trade markets often struggle to develop—not due to a lack of ethical motivation, but because of coordination failures among otherwise well-intentioned economic agents.

Türkiye presents a particularly instructive case in this regard. As a major producer of agricultural and textile goods and an integral part of global and European supply chains, Türkiye possesses substantial production capacity relevant to Fair Trade standards. At the same time, the country has a young and increasingly urban population with rising environmental awareness, alongside producers who show a growing willingness to adopt sustainable production practices. Despite this considerable potential, Fair Trade remains a marginal phenomenon in Turkish markets, both in terms of domestic production and consumer demand.

Existing empirical studies on Türkiye consistently document a pronounced gap between ethical attitudes and actual purchasing behavior. While consumers express strong moral support for Fair Trade principles, their willingness to pay for certified products is constrained by low trust in certification systems and weak institutional guarantees. On the supply side, small and medium-sized producers frequently perceive Fair Trade certification as costly, bureaucratic, and uncertain, particularly in the absence of domestic accreditation mechanisms. Moreover, national sustainability policies in Türkiye have primarily emphasized environmental efficiency and economic competitiveness, while paying relatively limited attention to the institutional and ethical governance structures required for Fair Trade market formation. These observations suggest that the core obstacle lies not in ethical awareness or production capability, but in insufficient coordination, credibility, and trust among market participants.

Although local Fair Trade production in Türkiye remains at an early stage, recent developments signal emerging opportunities. As of 2025, Türkiye has been officially recognized as a producer country by Fair Trade International, opening new avenues for certified production, particularly in sectors such as cotton and organic food. Nevertheless, most Fair Trade-labeled products available in Turkish markets continue to be imported, especially for commodities not domestically produced due to climatic or capacity constraints. This pattern indicates that Fair Trade consumption in Türkiye has so far been driven primarily by ethical retail demand rather than by locally embedded production systems, highlighting the importance of institutional and policy interventions to support domestic adoption.

Against this background, the purpose of this paper is to develop a parsimonious microeconomic model that explains Fair Trade adoption as an outcome of interacting producer and consumer decisions under institutional and behavioral constraints. By formalizing how certification costs, moral utility, and institutional trust jointly shape market outcomes, the model provides a clear analytical framework for understanding why ethical intentions often fail to translate into sustained participation. In doing so, the paper demonstrates that Fair Trade market formation in Türkiye is best understood as a coordination problem rather than as a deficit of moral motivation.

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The rest of the paper is structured as follows. Section 2 reviews the global and Turkish literature on Fair Trade, emphasizing behavioral and institutional barriers to adoption. Section 3 presents the microeconomic model and interprets its equilibrium implications. Section 4 discusses the policy relevance of the model for Türkiye's sustainability and trade agenda. Section 5 concludes by outlining the paper's theoretical contributions and directions for future research.

2. Literature Review

This section provides a comprehensive review of the literature on Fair Trade adoption and practices, with a particular emphasis on Türkiye. The discussion situates the Turkish experience within the broader Fair Trade literature while highlighting the behavioral and institutional constraints that shape market outcomes in emerging economies.

2.1. An Overview of Fair Trade Movement and Practices in Türkiye

Fair Trade has been widely studied as a hybrid institutional arrangement that combines economic rationality with ethical and distributive principles. Its origins lie in post-war solidarity initiatives aimed at restructuring trade relations between the Global North and South (Le Mare, 2008). Over time, Fair Trade evolved into a formalized certification system under organizations such as Fairtrade International and the World Fair Trade Organization (WFTO). Sitnikov et al. (2021) argue that this process of institutionalization enabled Fair Trade to develop into a measurable market phenomenon in which social objectives and profit motives coexist rather than remaining solely a moral movement.

Recent studies conceptualize Fair Trade as a system of polycentric governance characterized by overlapping certifying bodies, heterogeneous stakeholder groups, and varying degrees of regulatory enforcement across countries (Shawki & Schnyder, 2023). While this fragmented structure offers flexibility and inclusiveness, it also creates challenges in maintaining consistent credibility. In high-trust economies, particularly in Northern Europe, Fair Trade certification functions as a credible signal that allows markets to internalize ethical preferences (Eberhardt et al., 2021). In contrast, in emerging economies where institutional capacity and public trust are relatively weak, monitoring and enforcement mechanisms are often insufficient, resulting in coordination failures between ethically motivated producers and consumers.

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Within this global context, Türkiye represents a distinctive and increasingly relevant case. Although comprehensive official statistics on Fair Trade volumes in Türkiye are limited, existing studies indicate growing awareness of sustainability and ethical consumption among Turkish consumers. Research suggests that ethical consumption tendencies are particularly pronounced among younger, urban, and better-educated groups (Pelsmacker et al., 2005; Andorfer & Liebe, 2011; Sharma et al., 2024). These findings align with broader evidence that education plays a critical role in shaping ethical consumption preferences and willingness to engage with Fair Trade principles.

Despite rising awareness, the Fair Trade market in Türkiye remains relatively small. Empirical studies consistently document a gap between ethical attitudes and actual purchasing behavior. Kapusuz and Kimzan (2016) find that while Turkish consumers express strong moral support for ethical and sustainable consumption, only a limited share report regular Fair Trade purchases. Konuk (2019) further demonstrates that environmental concern translates into a higher willingness to pay for Fair Trade products only when trust in certification systems is sufficiently high, underscoring the central role of institutional credibility in shaping demand.

From the supply side, Türkiye exhibits both significant potential and substantial constraints. As a major producer of agricultural and textile goods integrated into global value chains, Türkiye is structurally well positioned for Fair Trade adoption. Studies indicate increasing interest among producers—particularly those engaged in organic agriculture—in obtaining Fair Trade certification to access new markets and price premiums (Sianturi et al., 2023). Global evidence suggests that certified producers benefit from improved incomes and living conditions due to Fair Trade price premiums (Bird & Hughes, 1997; Jin et al., 2016; Toušek & Šalamoun, 2023). However, producer-focused studies in Türkiye highlight persistent barriers, including high certification costs, administrative complexity, and uncertainty regarding market access (Çakırlı Akyüz & Theuvsen, 2020).

In practice, Fair Trade activity in Türkiye has so far been driven primarily by imported certified products rather than domestically embedded production systems. Products such as coffee, cocoa, sugar, and bananas—largely unavailable due to climatic constraints—dominate Fair Trade retail offerings, reinforcing the perception of Fair Trade as an externally driven standard (Pringle, 2021).

Nevertheless, recent recognition of Türkiye as an official Fair Trade producer country, particularly in cotton and organic food sectors, signals emerging opportunities for local certification and long-term expansion.

Fair Trade practices in Türkiye are also embedded within broader socio-economic debates on inequality, labor standards, and sustainable development. Studies emphasize that Fair Trade initiatives aim not only to improve producer incomes but also to foster community empowerment and reduce social inequalities (Yassıbaş & Bölükbaşı, 2023). Ensuring decent work and ethical standards within supply chains is particularly important for marginalized groups, contributing to overall social welfare (Damar et al., 2024).

Overall, the literature suggests that while ethical consumption and Fair Trade awareness in Türkiye are increasing, structural and institutional barriers continue to limit market expansion. These findings highlight the importance of analyzing Fair Trade adoption not merely as a matter of consumer preference or producer capability, but as a broader coordination problem shaped by institutional trust, certification costs, and information asymmetries.

2.2. Theoretical Background

From a theoretical perspective, Fair Trade markets capture the core insights of behavioral economics, as agents derive utility not only from material outcomes but also from moral and psychological satisfaction. Sen (1977) was among the first to argue that rational choice models should incorporate ethical motives, emphasizing that individuals may act in accordance with moral commitments even when such behavior conflicts with short-term utility maximization. Subsequent behavioral approaches, including prospect theory (Kahneman & Tversky, 1979), further demonstrate that preferences are shaped by perceptions of fairness, social identity, and trust.

In the Fair Trade context, consumers derive “warm-glow” utility from ethical consumption (Andreoni, 1990), while producers gain intrinsic and reputational benefits from participation in socially just production systems. Trust plays a pivotal role in mediating these moral incentives. Empirical studies show that trust in certification credibility is often a stronger determinant of Fair Trade purchasing behavior than income or education (Eberhardt et al., 2021; von Grafenstein et al., 2022). When trust is low, consumers discount the moral utility associated with ethical consumption, reducing willingness to pay.

Empirical evidence from Türkiye strongly supports these theoretical mechanisms. Kapusuz and Kimzan (2016) document a clear gap between ethical awareness and purchasing behavior, attributing this discrepancy to low institutional trust. Konuk (2019) confirms that trust moderates the effect of environmental concern on willingness to pay for Fair Trade products. On the supply side, Çakırlı Akyüz and Theuvsen (2020) find that Turkish smallholders perceive certification processes as costly and risky, particularly in the absence of credible institutional guarantees. Ataseven (2023) further argues that the limited diffusion of Fair Trade in Türkiye is linked to the absence of a coherent national governance framework integrating ethical trade into agricultural and sustainability policies.

Taken together, the literature identifies three interrelated constraints shaping Fair Trade adoption: certification costs (F), institutional trust (τ), and consumer awareness (A). High certification costs deter producer participation, weak institutional trust undermines both demand and supply, and limited awareness reduces the non-pecuniary utility derived from ethical consumption. In economies where these constraints are alleviated through credible institutions, targeted policies, and effective information campaigns, Fair Trade markets tend to converge toward stable and self-reinforcing equilibria. In Türkiye, however, the persistence of these barriers has confined Fair Trade to a niche market. Understanding how these behavioral and institutional constraints interact provides the theoretical foundation for the microeconomic model developed in the following section.

3. Model

This section develops a behavioral microeconomic model that explains Fair Trade participation as a function of economic incentives, moral satisfaction, and institutional trust. Unlike classical utility models based solely on price and cost, this framework integrates behavioral components that reflect the reality of modern ethical markets.

3.1 Producer Behavior

Let there be a representative producer who must decide whether to engage in conventional production or to adopt Fair Trade certification. In the standard microeconomic framework, the producer maximizes expected profit π given by:

$$\pi = PQ - C(Q)$$

where P is the price received per unit of output and $C(Q)$ is the total production cost.

Under Fair Trade, the producer receives a higher output price P_F but must incur a certification cost F, which can be monetary or administrative. At the same time, Fair Trade participation generates a non-monetary *moral or reputational benefit*, denoted R, such as satisfaction from sustainable production or improved social image. The producer's utility under each regime can therefore be expressed as:

$$U_P^C = P_C Q - C(Q)$$

$$U_P^F = P_F Q - C(Q) - F + \theta R \tag{1}$$

where $\theta \in [0,1]$ represents the producer's internal valuation of moral benefit — how much moral satisfaction is weighted relative to profit.

The producer will adopt Fair Trade if and only if:

$$U_P^F \geq U_P^C \Longrightarrow (P_F - P_C)Q \geq F - \theta R \tag{2}$$

The left-hand side of inequality is the *economic advantage* that Fair Trade participation yields, that is, the total price premium a producer earns by selling certified products rather than ordinary ones. The right-hand side is the *effective net cost* after subtracting the perceived moral gain. Thus Fair Trade adoption will occur when the expected monetary gain from the price premium meets the remainder of the cost of certification after moral satisfaction. When this moral satisfaction is high, θR, i.e. there is a high degree of moral motivation, reputation or social recognition, a small enough price premium justifies participation. In contrast, when moral satisfaction is low, or even unknown, producers will require larger monetary incentives to offset the perceived costs.

We can define a *producer participation threshold* representing the minimum price premium required for a rational producer to adopt Fair Trade production;

$$P_F - P_C = \frac{F - \theta R}{Q} \tag{3}$$

defines the equilibrium point at which the marginal economic benefit from certification equals its effective net cost. The numerator $F - \theta R$ represents the cost of the producer after accounting for moral or reputational utility derived from certification. When θR is high, meaning that when there is a high utility affected to ethical reputation or intrinsic direction of benefits, the effective cost of certification is low thus lowering the acceptable threshold for entry. Conversely, when moral satisfaction is low or uncertain, the cost perceived is still very close to the total cost of certification, F thus necessitating a higher price differential than F, could ever render in order to induce entry.

This formulation extends the standard profit maximization condition by internalizing moral consideration within the decision function of the producer. It implies that entry is not solely a function of profitability, but also a function of psychological utility and social recognition. Producers with greater ethical awareness or higher valuation of social recognition can adopt Fair Trade even under very slight financial incentives, whereas pure profit motivation will necessitate greater premiums upon sales. Thus, equation (3) formalizes behavioral heterogeneity among producers and provides a measurable criterion for policy design, identifying the level of price support or cost reduction needed to bring marginal producers into the Fair Trade system.

3.2 Consumer Behavior

The representative consumer chooses between a conventional and a Fair Trade product. Utility is derived not only from consumption q but also from the moral satisfaction associated with ethical consumption.

Let $u(q)$ denote standard consumption utility, and ψ the moral satisfaction gained from purchasing Fair Trade goods. The utilities are:

$$U_C^C = u(q) - p_C q$$

$$U_C^F = u(q) - p_F q + \psi \tag{4}$$

The consumer prefers the Fair Trade good if:

$$U_C^F \geq U_C^C \Longrightarrow \psi \geq (p_F - p_C)q \tag{5}$$

The term $(p_F - p_C)q$ represents the *price premium*, and ψ the *moral benefit* derived from the purchase.

In behavioral terms, ψ depends on both awareness (A) and trust (τ) in the certification system. When consumers are aware of Fair Trade values but do not trust the label, the psychological reward declines. Similarly, even if trust is high, lack of awareness prevents the consumer from recognizing the ethical value.

Hence, we define:

$$\varphi = \alpha(A * \tau) \tag{6}$$

where $\alpha > 0$ measures sensitivity to moral motivation. This behavioral function implies that trust and awareness are *complements:* neither can produce moral satisfaction on its own. The slope of the demand for Fair Trade goods thus depends positively on τ and A, so that $\frac{\partial D_{FT}}{\partial \tau} > 0$ and $\frac{\partial D_{FT}}{\partial A} > 0$.

3.3 Market Equilibrium

A Fair Trade market equilibrium exists only if both sides of the market are willing to participate simultaneously.
From (2) and (5):

$$(P_F - P_C)Q \geq F - \theta R \text{ and } \alpha(A * \tau) \geq (p_F - p_C)q \tag{7}$$

The first inequality determines the supply condition (producers' entry decision), and the second the demand condition (consumers' willingness to pay). Equilibrium occurs where these two behavioral constraints intersect.

Let Q_{FT}^* be the equilibrium quantity of Fair Trade goods traded. At this point, both producers and consumers find participation worthwhile:

$$S_{FT}(F, \theta, R) = D_{FT}(\alpha, A, \tau) \tag{8}$$

If certification costs are too high or trust is too low, no intersection occurs. In this case, Fair Trade market collapses into a *missing market*. If public policy successfully reduces F and enhances τ and, the two behavioral thresholds overlap and the market transitions into a sustainable equilibrium.

The comparative statics derived from the behavioral model illustrate how specific key parameters influence the equilibrium level of Fair Trade participation. Formally,

$$\frac{\partial Q_{FT}^{*}}{\partial F} < 0$$

$$\frac{\partial Q_{FT}^{*}}{\partial \tau} > 0$$

$$\frac{\partial Q_{FT}^{*}}{\partial A} > 0$$

$$\frac{\partial Q_{FT}^{*}}{\partial R} > 0 \qquad (9)$$

These relationships show that the equilibrium quantity of Fair Trade transactions (Q_{FT}^{*}) is inversely correlated with certification cost (F) and positively correlated with trust (τ), awareness (A), and reputational benefits (R). The first derivative, $\frac{\partial Q_{FT}^{*}}{\partial F} < 0$ is a measure of the elasticity of cost participation. If certification costs increase, fewer producers can find profitable conditions yielding the rate of return on investment found in Equation (2). Higher fixed costs hinder the entry, particularly among small and medium-sized enterprises (SMEs) that operate in an environment of limited capital. This negative sensitivity is exacerbated, moreover, where moral gains (R) or reputational incentives are weak, indicating that the financial obstacles to participation dominate moral motivations in developing countries.

The second equation, $\frac{\partial Q_{FT}^{*}}{\partial \tau} > 0$, shows the function of institutional trust. An increase in trust increases producer and consumer expectations, in this context producers consider certification as a credible and sustainable process, while consumers believe that premium payments truly support ethical practices. In this framework, trust is a behavioral multiplier. It is noteworthy to mention that minor improvements in institutional credibility can disproportionately and significantly encourage the market participation.

The third equation, $\frac{\partial Q_{FT}^{*}}{\partial A} > 0$, highlights the necessity for information or awareness. Greater awareness expands moral satisfaction (ψ) as we found in Equation (6) because it focuses attention on the ethical factor of consumption. Higher awareness decreases perceived uncertainty, thus it connects the consumer's intention with the actual purchase behavior. Empirically, awareness campaigns can be considered as effective demand shifters raising the level of the moral utility curve.

Finally, the equation $\frac{\partial Q_{FT}^{*}}{\partial R} > 0$, shows how a stronger reputational or moral benefit accrues to producers through higher levels of participation in Fair Trade production. If Fair Trade certification helps to ameliorate visible recognition — through labeling, media exposure, or inclusion in ethical supply chains — producers may internalize it as a form of intrinsic satisfaction or utility. This psychological gain that is derived here will effectively reduces the net cost of certification ($F - \theta R$), thus it will encourage the adoption of Fair Trade practices even in the absence of strong financial incentives like subsidies.

Overall,we see that both economic rationality and behavioral factors play a crucial role in forming participation in Fair Trade programs at all levels. Policies that lower the financial barriers will have a minimal effect, absent an improvement in trust, awareness, and moral impulse. On the other hand, the enhancement of moral impulse and lower reputational gain will have little efficacy regarding producer inclusion if the institutional system is opaque and certification costs are prohibitive. Accordingly, it is the multiplicative nature of its behavioral determinants that renders the system less efficient compared to the additive one. Improvements in one key area render others proportionately better in the overall scheme of things. Nevertheless, the model abstracts from heterogeneity with respect to income and firm size, and hence its predictions describe average behavioral propensities rather than exact empirical magnitudes. This theoretical abstraction may effectively characterize general coordinating mechanisms; however, we need to support this with future empirical studies to calibrate parameter sensitivities across different producer and consumer groups.

3.4. Application to the Turkish Context

The application of the behavioral framework to the Turkish context shows that a significant coordination failure might occur between Fair Trade producers and consumers. Although both groups increasingly demonstrate pro-sustainability attitudes and ethical awareness, the equilibrium predicted by the behavioral model derived in the previous section rarely occurs in practice. This failure comes from an unfavorable combination of three key behavioral factors: high certification costs (F), low institutional trust (τ), and limited consumer awareness (A). These three behavioral factors prevent such cooperation within the Turkish Fair Trade system.

The first factor concerns the persistently high certification costs, which discourage producer participation in the Fair Trade. Most Turkish producers attempting to produce Fair Trade products, particularly those in agriculture and textiles, are small- to medium-sized enterprises (SMEs) that operate and administer their businesses with narrow financial margins and limited access to external funding (Borlu, 2015). The certification process itself requires considerable fees and recurring audits and reports of compliance, which collectively constitute fixed costs that are disproportionately high as compared with the expected revenues resulting therefrom. For agricultural producers and/or exporters, certification costs are amplified due to their reliance on foreign intermediaries, who often take a significant part of the Fair Trade premium and increase dependency risks. Consequently, the effective cost of certification tends to remain above the adoption threshold as we defined by equation (3). Hence, the adoption of Fair Trade certification becomes economically irrational, despite the moral or environmental incentives to do so.

The second constraint arises from the low institutional trust. In Türkiye, Fair Trade certification is largely dependent on external control, mainly conducted by European agencies. As a result, they may perceive it as being disconnected from the country's domestic, institutional, and cultural context. The lack of a nationally recognized accreditation body in Türkiye reinforces an existing perception among local farmers that Fair Trade is an imported practice, representing a technical standard rather than a movement promoting an ethical system. Additionally, armers who are more risk-averse are less likely to invest in innovative techniques or new agricultural practices, often perceiving these changes as potential threats to their livelihood (Hayran, 2019). Thus, the credibility of the certification availability is discounted, and the trust variable τ, which is decisive in behavioral coordination, is lowered. Furthermore, as the producer's willingness to adopt Fair Trade decreases, producers become doubtful about the long-term stability of the system. From another perspective, consumers become skeptical about the credibility of the labels and the fairness of the distribution of such products. This dynamic will generate a self-reinforcing cycle of low trust, in which the expected moral utility (ψ) decreases or becomes entirely discounted. Thus, both consumers' willingness to pay and producers' willingness to adopt Fair Trade practices weaken, reducing cooperation within the system.

Furthermore, the low awareness of the general public regarding the Fair Trade ethical concept is problematic. Although Turkish consumers show great concern for ethical issues, as Kapusuz and Kimzan (2016) and Konuk (2019) reveal, the knowledge of Fair Trade's main principles and labels is alarmingly low. Consumers typically associate the terminology of Fair Trade with sustainable practices, such as organic production, local cooperatives, or the broader concept of state-subsidized rural development; however, they often struggle to distinguish the essence of Fair Trade. The low degree of awareness may lower the moral effectiveness ψ as we expressed in equation (5), where consumers cannot obtain psychological utility when the other variables are completely unknown. This lack of knowledge distorts behavioral patterns within the decision-making framework, as the existing information asymmetry disrupts the emotional feedback loop between ethical intention and economic action. Consequently, this leads to what the literature refers to as the "attitude–behavior gap."

The cumulative effect of these behavioral distorting variables, high costs, low trust, and low awareness, contributes to keeping the Turkish Fair Trade market trapped in a low trust-high cost point of equilibrium, expressed as

$$(Q_{FT}^{L}, \tau^{L}, F^{H}) \Rightarrow \text{ } low\ equilibrium\ or\ missing\ market.$$

In such circumstances, producers consider certification as economically inefficient, while consumers perceive Fair Trade labels as overpriced and may question the authenticity of the product's Fair Trade nature. The lack of mutual trust hinders movement away from this costly equilibrium and restricts the broader adoption of ethical trade practices across sectors.

To prevent this failure, it is necessary to have both structural and behavioral action changes, paradoxically, to address the economic problem, which involves financial institutions and public awareness. First, it would be most feasible to reduce the cost of certification through the granting of subsidies that would be targeted for that sector, certification covered through cooperative ideational principles, and through the integration of good processes and Fair Trade principles into the public procurement area, so that participation would not need to denote economic inefficiency for the small and medium producers. Second, institutional trust can be strengthened through the

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formation of a national accreditation body, such as a Fair Trade Türkiye agency, through a public-private partnership in which an agency for obtaining better certification would be domestically administered. The domestic level of trust that this procedure would encourage and bring about would be passed on to the consumer through the information loop, thereby strengthening the trust variable. More public awareness could be achieved through public campaigns and educational reforms, such as in grade schools, where the importance of Fair Trade principles and their benefits to society can be explained, or through integration into the curriculum itself. Additionally, the Ministry of Agriculture and Forestry may promote the adoption of Fair Trade with public campaigns. Ultimately, a sufficient level of understanding is associated with obtaining certification, particularly when it carries a national dimension. Public recognition of certified ethical producers could help embed the notion of Fair Trade within Türkiye's cultural and regional identity — for example, through promoting "ethically produced Anatolian exports." This would strengthen the moral significance and social value of Fair Trade participation, enhancing consumers' sense of ethical contribution and national pride.

When these parameters improve simultaneously, inequality (7) holds for both sides of the market. This change moves the system from a low-participation equilibrium to a stable high-trust equilibrium, represented by $(Q_{FT}^{L}, \tau^{L}, F^{H})$to $(Q_{FT}^{H}, \tau^{H}, F^{L})$. Here, producers perceive Fair Trade as both profitable and socially valuable, while consumers derive moral satisfaction from making trust-based purchases. This alignment of individual and collective interests demonstrates how behavioral economics explains the shift from market inefficiency to cooperation and sustainability through the establishment of strong institutions and the dissemination of accurate information. In Türkiye, this shift could boost Fair Trade participation and support the country's goals for modern institutions, sustainable development, and digitalization.

4. Discussion and Policy Implications

The behavioral model described above provides a conceptual framework that helps to explain the structural and psychological barriers limiting the diffusion of Fair Trade in Türkiye. It integrates economic rationality with behavioral elements, showing that the choices of agents depend not solely on economic incentives, but on institutional signals and moral satisfaction. The equilibrium defined by the model describes a form of behavioral failure in coordination, where all actors act rationally (given their expectations), but the result of their collective action is suboptimal for society. In this sense, we can consider Fair Trade in Türkiye as a coordination game with multiple equilibria, one characterized by high levels of trust in institutions, low costs, and efficient participation, the other by low trust, high costs, and inefficiency. The Turkish equilibrium we observe at present is of the second kind. The two main actors, consumers and producers, operate on the basis of incomplete knowledge and little confidence in governmental institutions. From the producers' point of view, certification is seen as an uncertain investment with high fixed costs (F); for consumers, the Fair Trade label loses its authenticity, limiting their willingness to pay the necessary premium. Policy, therefore, must act as a device for coordination, stimulating a change in expectations and reducing uncertainty.

A series of complementary interventions can be conceptualized to allow for this change. First, cost barriers must be reduced. Financial instruments such as subsidies for certification fees, tax exemptions, and low-interest "green credit" lines can directly reduce the cost parameter F. In particular, for small and medium-scale agricultural producers, who constitute a significant portion of export potential, joint certification schemes for producer cooperatives could be highly effective. If agricultural producers were prepared to act collectively, it would reduce the fixed cost per producer and lower the risks, making the action of certification economically rational even at moderate levels of trust. Second, institutional trust must be increased (τ). Trust is the most fragile yet also most transformative parameter in the model. Establishing a transparent national certification body, "Fair Trade Türkiye," may provide a credible authority in this field. This body should operate under public supervision but possess international credibility, being certified according to COE and WFTO standards. It should raise awareness of the need for certification by publishing impartial annual performance statistics, conducting audit checks on users, and collaborating with NGOs and civil society organizations to enhance the perceived reliability of the system. The effect would be similar to what we observe in the cases of countries in Northern Europe, where trust accumulation becomes self-reinforcing, increasing both the moral utility for consumers and the reputational value for producers. Third, awareness and information (A) must be increased. Awareness acts as a behavioral amplifier, and the model shows that even small increases in A raise moral satisfaction ψ, particularly when trust already exists. Public campaigns in this sense should focus not only on the ethical aspects of Fair Trade, but also on its concrete advantages, such as stable income for producers, improved working conditions, and environmentally responsible modes of production. Educational programmes in schools and colleges would also be suitable for introducing the concept of Fair Trade as part of a broader sustainability curriculum, thereby helping to shape future consumer preferences and social norms. Fourth, Fair Trade must be embedded within a broader sustainability policy. Fair Trade may become a mainstream movement with adequate policies, rather than remaining a niche part of the coffee market. Fair Trade objectives should be incorporated into Türkiye's Strategy for a Green Economy and into plans for agricultural reform, thereby ensuring policy coherence. For instance, Fair Trade incentives should be harmonized with the EU's Farm to Fork strategy and with carbon border adjustment mechanisms. This would enhance competitiveness in the country, whilst also promising social value. In this way, Fair Trade comes to be seen as not merely a trend in consumption, but also as a component of Türkiye's transition towards inclusive, low-carbon and socially fair growth. Finally, behavioral interventions can augment economic ones. Campaigns to promote social norms and visible recognition programs, such as designating certified producers as "ethical exporters," can increase the reputational utility R in the producer's utility function. These behavioural nudges do not require large amounts of cash, but they can be effective in restructuring expectations, thereby stressing the dynamics of trust and participation described in the model above. In summary, policies that aim to affect cost, trust, and awareness simultaneously are mutually reinforcing. Efforts to reduce one or other constraint, while ignoring the others, will likely yield limited results. If they are tackled together, however, it should be possible to move the market in Fair Trade from one of low participation to one of high coordination, where motives to act ethically will coincide with economic rationality.

5. Conclusion

This paper develops a behavioral microeconomic model to explain the limited adoption of Fair Trade in Türkiye, despite rising ethical awareness among both consumers and producers. By incorporating moral satisfaction, institutional trust, and certification costs into the decision-making processes of economic agents, the model provides a coherent explanation for why ethically motivated actors may nonetheless fail to generate a functioning Fair Trade market. In contrast to explanations that focus exclusively on financial constraints, this study highlights behavioral and institutional coordination as the central mechanism underlying market underperformance.

The analysis demonstrates that the persistence of low trust and high certification costs leads to a coordination failure in which both producers and consumers behave rationally from an individual perspective, yet collectively generate inefficient market outcomes. Importantly, the results indicate that Fair Trade underdevelopment in Türkiye is not driven by a lack of moral concern or production capability, but rather by a misalignment between incentives, perceptions, and institutional credibility. This finding underscores the need to analyze Fair Trade adoption within a microeconomic framework that explicitly links individual decision-making to market-level equilibria under behavioral constraints.

The Turkish case illustrates why a microeconomic modeling approach is particularly well-suited for studying Fair Trade adoption in emerging economies. Türkiye combines strong integration into global agricultural and textile value chains with increasing societal concern for sustainability, making it a natural candidate for Fair Trade expansion. However, the absence of a domestic certification infrastructure, limited institutional trust, and high entry costs for producers prevent ethical intentions from translating into sustained participation. A behavioral microeconomic model allows these frictions to be formalized and reveals how seemingly small institutional improvements can generate large equilibrium shifts.

From a policy perspective, the results suggest that Fair Trade should be addressed as part of a broader behavioral and institutional transition rather than as a niche ethical initiative. Targeted interventions—such as reducing certification costs through subsidies or cooperative certification schemes, strengthening institutional transparency, and increasing public awareness—can mitigate behavioral frictions and restore coordination between producers and consumers. In the Turkish context, these policies are particularly relevant as Türkiye advances toward compliance with the European Green Deal and seeks to enhance the credibility of its agricultural and textile exports. Integrating Fair Trade principles into sustainable agriculture strategies, export promotion policies, and green trade frameworks could simultaneously improve producer welfare, strengthen institutional legitimacy, and enhance environmental performance.

Beyond immediate economic effects, the findings also point to the long-term role of institutional design in shaping ethical market behavior. Incorporating Fair Trade principles into educational curricula and public procurement programs could institutionalize ethical consumption norms, transforming moral motivation into stable market expectations. In this sense, Fair Trade should be viewed not merely as an ethical preference but as a behavioral equilibrium in which individual utility maximization aligns with collective welfare through credible governance structures.

This study also contributes conceptually to the behavioral microeconomics of sustainability by extending traditional utility-based models to include trust and moral satisfaction as endogenous variables shaped by social norms and policy frameworks. By demonstrating how ethical markets emerge—or fail to emerge—under specific institutional conditions, the paper provides a generalizable framework applicable to other developing and emerging economies.

Future research could empirically estimate the model's key parameters in the Turkish context using survey or experimental data. Experimental studies examining consumer trust elasticity or producer responses to certification subsidies could offer valuable tests of the model's predictions. Comparative analyses across Mediterranean or emerging economies with similar institutional characteristics would further enhance understanding of how different governance structures influence Fair Trade diffusion.

Ultimately, this paper argues that the future of Fair Trade in Türkiye depends on transforming trust from a fragile perception into a measurable institutional asset. Once credibility is established through coherent governance and coordinated policy action, Fair Trade can move beyond moral aspiration and become a self-sustaining, welfare-enhancing market equilibrium—one that reconciles ethical principles with economic rationality.

Yazar Katkısı

KATKI ORANI	AÇIKLAMA	KATKIDA BULUNANLAR
Fikir veya Kavram	Araştırma fikrini veya hipotezini oluşturmak	Yazar 1
Literatür Taraması		Yazar 1

	Çalışma için gerekli literatürü taramak	
Araştırma Tasarımı	Çalışmanın yöntemini, ölçeğini ve desenini tasarlamak	Yazar 1
Veri Toplama ve İşleme	Verileri toplamak, düzenlemek ve raporlamak	Yazar 1
Tartışma ve Yorum	Bulguların değerlendirilmesinde ve sonuçlandırılmasında sorumluluk almak	Yazar 1

Çıkar Çatışması

Çalışmada yazarlar arasında çıkar çatışması yoktur

Finansal Destek

Bu çalışma için herhangi bir kurumdan destek alınmamıştır

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