



## Fair Trade: Social regulation in global food markets

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### A B S T R A C T

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This article analyzes the theoretical and empirical parameters of social regulation in contemporary global food markets, focusing on the rapidly expanding Fair Trade initiative. Fair Trade seeks to transform North/South relations by fostering ethical consumption, producer empowerment, and certified commodity sales. This initiative joins an array of labor and environmental standard and certification systems which are often conceptualized as “private regulations” since they depend on the voluntary participation of firms. I argue that these new institutional arrangements are better understood as “social regulations” since they operate beyond the traditional bounds of private and public (corporate and state) domains and are animated by individual and collective actors. In the case of Fair Trade, I illuminate how relational and civic values are embedded in economic practices and institutions and how new quality assessments are promoted as much by social movement groups and loosely aligned consumers and producers as they are by market forces. This initiative’s recent commercial success has deepened price competition and buyer control and eroded its traditional peasant base, yet it has simultaneously created new openings for progressive politics. The study reveals the complex and contested nature of social regulation in the global food market as movement efforts move beyond critique to institution building.

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### 1. Introduction

Fair Trade has emerged over recent years as a popular initiative to socially regulate global markets, particularly in the food sector. This movement seeks to empower producers in the global South through the provision of better prices, stable market links, and development resources. In the global North, Fair Trade seeks to promote responsible consumption and provide shoppers with socially and environmentally friendly products. Over a million producers and hundreds of millions of consumers participate in these new transnational networks, with annual Fair Trade sales nearing US\$ 6 billion (FLO, 2011b). Analysis of the promise as well as the challenges of this rapidly expanding initiative provides an insightful window into the theoretical and empirical parameters of social regulation in contemporary global markets.

Fair Trade joins a growing array of new regulatory systems that establish and enforce social and environmental standards in global production networks. New certifications, codes, and guidelines dictating production conditions abound in global manufacturing, where they focus primarily on labor conditions (O’Rourke, 2006; Seidman, 2007), and in agricultural and natural resource sectors,

where they focus primarily on ecological conditions (Barrientos and Dolan, 2006; Cashore et al., 2004). Fair Trade links labor, community, and environmental concerns primarily in food items like coffee, tea, cocoa, sugar, and bananas. In contrast with corporate social responsibility efforts which address regulatory concerns through internal mechanisms (Vogel, 2010), Fair Trade and related efforts position non-corporate actors as external moral overseers who govern economic activity often through standard-based certification and labeling procedures.

These new governance systems are often referred to as “private regulations” since they are not state-mandated and depend on voluntary participation by economic firms (e.g. Bartley, 2007; Gereffi et al., 2001). I argue that these new institutional arrangements are better understood as “social regulations” since they operate beyond the traditional bounds of private (ie. corporate) and public (ie. state) domains and are animated by individual and collective (ie. private and public) actors and actions. A social regulation approach builds on Polanyi’s (1957b) insights regarding the socially embedded nature of market relations. This analysis reveals the normative foundations of Fair Trade quality, in civic and relational conventions (Thévenot, 1995), as well as the institutional governance of market transactions by non-governmental organizations (NGOs), certification agencies, dominant buyers, and mission-driven companies. The case of Fair Trade illuminates Polanyi’s (1957a) argument that market expansion fuels the rise of

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countermovements for social protection and points to the broad range of social actors—including transnational and localized movement groups in the Global North and South as well as “imagined communities” (Anderson, 1983) of global citizens—who are allied in contesting conventional market rule.

In advancing a social regulation perspective, this article extends the literature by providing a critical and positioned Polanyian assessment of Fair Trade. A number of authors turn to Fair Trade to illuminate a Polanyian analysis of the role of peasant producers (Jaffee, 2007), certification labels (Barham, 2002; Guthman, 2007), and consumers (Watson, 2006) in forging a countermovement of decommodification and social re-embedding (Raynolds, 2000; Vail, 2010). While these studies are suggestive of the promises and pitfalls of Fair Trade, they are often removed from the contemporary complexities of social regulation in agro-food markets. To advance this discussion, I provide a grounded analysis of Fair Trade ideas and practices and their highly contested and diverse institutionalization across market and production arenas. This analysis highlights how NGOs and varied civil society groups challenge, construct, and govern economic activities, socially regulating global markets under a Fair Trade banner.

The theoretical underpinnings of social regulation are elaborated in the next section, merging analytical insights from the agro-food literature with those from industrial political economy and labor studies. This analytical framework is deployed and refined in subsequent sections exploring the contested nature of Fair Trade. My analysis of Fair Trade ideas, practices, and institutions shows how movement efforts to govern trade based on relational and civic values are repeatedly challenged, but not subsumed, by dominant commercial and industrial forces. In market arenas, movement groups, mission-driven enterprises, and ethically minded consumers uphold Fair Trade’s social foundations, forestalled processes of corporate mainstreaming. In production arenas, certification standards increasingly outweigh movement commitments in governing Fair Trade practices and while the power of peasant politics is being eroded new openings are being created for engaging labor politics. As I conclude, Fair Trade helps illuminate the complex and contested nature of social regulation in global food market as movement efforts move beyond critique to socio-economic construction.

## 2. Analytical dimensions of social regulation

### 2.1. Embeddedness, governance, and conventions

The theoretical foundations for conceptualizing social regulation are laid by Polanyi’s classic argument that the “human economy is an instituted process” that is “embedded and enmeshed in institutions, economic and noneconomic” (1957b: 250). Polanyi counters a neo-classical view of the autonomous self-regulating market, arguing that in the real world economic activity is always shaped by social and political institutions. Polanyi demonstrates how ongoing state action is needed to maintain competitive markets, manage the supply and demand for the “fictitious commodities” of land, labor, and money, and avoid the demolition of society by market forces (Block, 2003). The concept of embeddedness has proved central in understanding state/economy relations (Block and Evans, 2005). Following Polanyi in analyzing the ability of national policies to (for a time) stabilize capitalist relations, the regulation school for example demonstrates how Keynesian welfare policies supported Fordist mass production/consumption patterns after World War II (Jessop and Sum, 2006). Food regime studies extend this analysis and reveal the centrality of the agro-food sector in fostering political economic stability (McMichael, 2009a).

The contemporary rise of economic globalization and “hollowing out” of the nation state has shifted attention from the role of government, to the role of governance (Jessop, 1995). A governance approach challenges state-centric views of politics, top-down notions of power, and artificial public/private distinctions. This literature demonstrates how in the wake of effective government oversight dominant corporations configure the global economy. Pioneering this analysis, Gereffi (1994) provides a methodology for studying the interlinking of economic activities, coordination of enterprises, and allocation of profit along global commodity chains and a theory of the rising power of retail brand corporations to dictate conditions in “buyer-driven” chains. Global commodity chain/value chain analytics have been widely applied to the agro-food sector as well as manufacturing (Gibbon et al., 2008). Dolan and Humphrey (2000) demonstrate how oligopolistic supermarkets are able to use new contract and standard systems to control production processes, product characteristics, and enterprise participation in their supply chains, so much so that some authors argue that the global food economy is now “supermarket-driven” (Hatanaka et al., 2005).

Gereffi et al. (2001) argue that we are witnessing the rise of a powerful new system of “transnational private governance” in which non-state actors oversee the ethical and ecological facets of economic activity. While corporate codes of conduct address these concerns via self-regulation, the most powerful new governance arrangements engage external groups in certifying corporate activities (Bartley, 2007; Mayer and Gereffi, 2010). A growing number of certifications specify labor conditions in garments, shoes, and other manufacturing sectors (O’Rourke, 2006; Seidman, 2007) and environmental criteria in timber, food, and other natural resource sectors (Barrientos and Dolan, 2006). Cashore et al. (2004) view certifications as “non-state market-driven systems” which are distinguished by their voluntary nature and economically based incentives. This private governance approach highlights how economic rewards entice firm participation and regularize new environmental and social practices in global arenas (Bartley, 2007; Mayer and Gereffi, 2010), including in the agro-food sector (Hatanaka and Busch, 2008).

Recent work on quality and conventions deepens our understanding of the normative foundations of social regulation and demonstrates how economic expectations are normalized, as well as institutionalized. This literature follows Polanyi (1957b) in rejecting the assumption that all economic activity is guided by a rational logic of “economizing.” As Callon et al. (2002) argue, goods are transformed into products through complex processes of valuation in the contemporary “economy of qualities.” Merging social constructionist and institutionalist views, the convention approach explores the divergent definitions of quality which guide economic activity. This tradition analyzes the constellation of ideas, practices, and institutions that define and uphold economic networks (Thévenot, 1995). Applied to the agro-food sector we can see how the dominant agro-industrial food economy is configured by industrial and commercial norms and price competition, and how ethical and ecological values are embedded in specialty food arenas through the redefinition of quality attributes (Barham, 2002; Raynolds, 2002).

### 2.2. Countermovements, contestation, and resistance

To emphasize the social dimensions of regulation, where markets are shown to be arenas of social contestation not simply arenas of coordinated activity, it is helpful to consider the second facet of Polanyi’s theory of embeddedness. Polanyi (1957a: 3) argues that the increasing commodification of land, labor, and money must be regulated, since a “self-adjusting market...could

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