CHAPTER ONE

A Movement or a Market?

> There are collective and qualitative needs which cannot be satisfied by market mechanisms. There are important human needs which escape its logic. There are goods which by their very nature cannot and must not be bought or sold. . . . These mechanisms carry the risk of an "idolatry" of the market, an idolatry which ignores the existence of goods which by their nature are not and cannot be mere commodities.
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> *Pope John Paul II,* Centesimus Annus, *1991*

> The market has no brain
> It doesn't love it's not God.
> All it knows is the price of lunch.
>
> *Bruce Cockburn,*
> *"You've Never Seen Everything"*

The unfairness of international trade has for centuries troubled many people who have witnessed its human and environmental effects.[1] The terms of trade between North and South—the low prices paid for agricultural products relative to the cost of imports (on a national level) or the cost of living (on a household level)—have long been unequal, but they have worsened significantly for the global South since the 1970s. Such "unequal exchange" has a number of harmful effects: for example, subsistence farmers are displaced and hunger increases as land is converted to export crops and cheap—usually subsidized—agricultural imports undermine small producers' viability.[2] Fair trade constitutes one attempt to address this structural injustice.

A SHORT HISTORY OF FAIR TRADE

The roots of the fair-trade movement, ironically, go back to the same postwar moment when the Bretton Woods institutions (the World Bank and the International Monetary Fund) and the General Agreement on Tariffs and Trade, or GATT—the precursor to today's WTO—were being created. From its inception, the movement has contained at least two distinct (though sometimes overlapping) currents—a "development" strain and a "solidarity" strain.

In the "development trade" approach, charities in the United States and Europe, usually linked to churches, began trying to create markets for the products of impoverished and displaced people.[3] The Mennonite Central Committee established trading links in the late 1940s with poor communities in the Southern United States to generate employment and income.[4] An increasing number of these efforts, later known as Alternative Trading Organizations or ATOs, began to emerge in the 1960s and 1970s. Some initiatives developed networks of church-based sales and stores, such as Ten Thousand Villages, which grew out of the Mennonite effort, and SERRV, an initiative of the Church of the Brethren. Another facet of this approach came from large development and religious agencies working in the global South, such as Oxfam, Bread for the World, Caritas, and others. These groups helped found partner cooperatives and associations in Southern nations that organized disadvantaged groups to export their products, principally handicrafts. The ATOs in Europe framed their work as "alternative trade." They established a network of "world shops" in many cities to sell these craft products, as well as some coffee and tea. While the total volume of this trade was negligible, sales did grow rapidly, and the profile of alternative trade increased to the point where it began to take on movement status.

However, many new trading groups, especially in Europe, were associated with secular activist movements on the political Left, and this solidarity focus has also been fundamental in shaping fair trade's identity. Twin Trading in Britain was founded in the 1970s to generate markets for products from socialist countries such as Mozambique, Cuba, North Vietnam, and later Nicaragua, whose access to consumers in the rich countries was partly or entirely blocked.[5] Oxfam Wereldwinkels in Belgium and Stichting Ideele Import in the Netherlands emerged from the same tradition. In the early 1980s, U.S. groups opposing the government's policies in Central America sold "Café Nica" in violation of the official embargo on Nicaraguan imports. The cry of this nascent movement was "trade, not aid"—an attempt to differentiate its philosophy of local development and empowerment through trade from the paternalism of charity and the inefficiency and corruption of foreign aid by (and to) governments.[6] These solidarity groups viewed the creation of alternative trade networks as part of a much larger critique of capitalism and the global economic system. Pauline Tiffen, a fair-trade pioneer formerly with Twin in London, recalled what was likely the first use of the phrase "fair trade": "We organized a conference, 'Who Cares about Fair Trade?' And in that case I think the choice of *fair* was a deliberate decision to broaden a concept that was for us quite anticapitalist. Like alternative as in alternative system, a parallel system to the market, a challenge to the capitalist system."[7]

In 1988 came a watershed event for fair trade—the creation of the Max Havelaar label. Indigenous Mexican coffee farmers from the UCIRI cooperative in Oaxaca had approached the Dutch development aid organization Solidaridad two years earlier with an unprecedented proposal. After several years of selling small amounts of coffee through world shops, UCIRI (which was led by a Dutch liberation-theology priest, Franz Vanderhoff Boersma) wanted access, on equitable terms and in larger quantities, to European consumer markets. Essentially, the cooperative was asking the European alternative trade movement to go beyond its largely symbolic purchases and buy coffee in volumes sufficient to make a significant difference in the incomes of UCIRI's peasant farmers.[8] Solidaridad initially considered starting its own alternative brand to compete alongside commercial coffees in mainstream supermarkets. Instead, it opted to create a label, Max Havelaar, which could be placed on coffee sold under any brand, certifying that the coffee farmers had received a premium price that constituted a "fair return."[9] The Max Havelaar foundation licensed the use of the label to existing coffee roasters and retailers who agreed to comply with its criteria of fairness in trade.

The creation of this first certification—the structure that allowed fairly remunerated coffee from small-farmer cooperatives to move beyond marginalized world shops into the mainstream market—is arguably the moment when "alternative trade" became fair trade. It was also the point at which the movement's center of gravity shifted away from crafts toward agricultural products. In that shift, paradoxically, lie the seeds of the dilemmas now confronting the fair-trade movement.[10]

Coffee became the first certified fair-trade product in part because of the particular configuration of forces that brought UCIRI and Solidaridad together. However, fair-trade coffee owes its growth and continued success to coffee's global importance—more than $70 billion worth of coffee is traded yearly[11]—and to its significance as the largest cash crop for twenty to twenty-five million peasant families around the world, many of whom are able to integrate it fairly easily with their subsistence (food) crops. Coffee was also in many ways the ideal fair-trade product: from the point it is picked to the moment of grinding, it remains a discrete physical commodity; it undergoes relatively few transformations and changes hands fewer times than many other commodities; it is not perishable (green, or unroasted, coffee beans can be stored for up to a year); and it is produced in large part by peasant farmers on small plots that they own.[12] Thus consumers can visualize a more or less direct link with the producer and imagine (even if inaccurately) that every fair-trade-certified bean in their morning cup was picked by democratically organized, fairly paid farmers in one particular coffee cooperative.[13] It is this ability of fair trade to put a face on commodities, to convey information about the social conditions under which they were produced—and about the people who produced them—that is key to the movement's moral power.

The certification initiative spread quickly across Western Europe. With the combined efforts of Max Havelaar, the German group Transfair, and the FairTrade Foundation in the United Kingdom, by the early 1990s virtually every country had a "national initiative" to promote and certify fair-trade products. Coffee with the fair-trade labels began appearing in mainstream stores, and sales volumes quickly jumped. In the Netherlands and in Switzerland, for example, fairly traded coffee went from a negligible 0.03 percent of the market to almost 5 percent in 1995.[14] While much of this increase came from the sale of certified coffee under recognized brand names, the coffee market continued to be dominated by a few transnational corporations who were indifferent or hostile to fair trade.

Not all fair-trade coffee was sold under mainstream brand labels, either. In Britain, a consortium of Twin and three other ATOs started a company called Cafédirect, which today commands an impressive 14 percent of all the nation's roasted and ground coffee sales.[15] In the United States, a group of activist entrepreneurs in 1986 formed Equal Exchange Coffee, which forged partnerships with producer cooperatives in Latin America, Asia, and Africa. According to the company's cofounder, Jonathan Rosenthal, "Our goal was to prove to the world, and to ourselves, that it was possible to do business and social change work as one integrated concept. . . . At the time we started, people said, 'you can't work with co-ops and social movements; you won't survive as a business.' . . . To use the current jargon, part of what we set out to do was to move people's perception of what was possible, and change the location of the perceived tipping point."[16] Yet while worker-owned Equal Exchange pioneered the fair-trade concept in the United States, it would be more than a decade before formal fair-trade certification reached North America.

Coordination between fair-trade practitioners continued to increase. Forty ATOs joined together to form the International Federation for Alternative Trade (IFAT) in 1989, with Southern producers represented. A number of craft-oriented initiatives founded the Fair Trade Federation (FTF) in the United States. In 1997, all of the national certification entities formally united their efforts, creating a worldwide umbrella fair-trade certifier, Fairtrade Labelling Organizations International (FLO), based in Bonn, Germany. In the same year, fledgling certification entities began in the United States, Canada, and Japan under the Transfair name, bringing the total number of certifiers to seventeen.[17]

Meanwhile, fair traders had cast their sights beyond coffee. If fair trade was to make a meaningful difference in the living conditions of impoverished farmers in the global South, it would have to expand to a wider range of commodities. During the 1990s, fair-trade-certified bananas, tea, cocoa, sugar, honey, rice, and orange juice appeared on the European market—virtually all tropical commodities associated with the colonial agricultural legacy. In a few cases, where these debuts were accompanied by strong promotional campaigns, the results were dramatic. For example, fair-trade bananas have captured 50 percent of the national banana market in Switzerland.[18]

The debut of fair-trade-certified coffee in the United States in 1999 was an important event. After years of growth, fair-trade sales in Europe had begun to stagnate and in some cases even decline. The United States consumes an astounding one-fifth of the world's coffee—more than any other nation—making coffee the country's single most valuable food import.[19] The movement was looking to this huge market to expand the impact of fair trade for farmers.

But the larger coffee retailers were still reluctant to participate. Activists, aiming to push fair trade into mainstream retail channels, targeted the coffee colossus Starbucks, which dominates the U.S. specialty coffee market. Several groups, including San Francisco–based Global Exchange, demanded that Starbucks begin to purchase and offer fair-trade coffee. The company resisted, claiming that the quality and supply were inadequate. In April 2000, on the day before Global Exchange was to launch simultaneous "Roast Starbucks" protests in twenty-nine cities, the company relented and agreed to sell fair-trade coffee in all 2,300 of its U.S. stores.[20] This accomplishment produced a flood of interest on the part of other specialty (or gourmet) roaster-retailers, who saw the need to compete in this new terrain of social-justice marketing, and soon consumers in most large coastal cities—and many smaller communities—could find fair-trade-certified beans.

Since then, the fair-trade market here has grown dramatically: U.S. imports of certified coffee exploded from 1.3 million pounds in 1999 to almost 45 million pounds in 2005, for a total value of $499 million. More than 350 companies now roast fair-trade coffee, and it can be purchased in more than thirty thousand stores and cafés.[21] As of this writing, fair-trade-certified coffee represents almost 5 percent of the U.S. specialty coffee market, and more than 2 percent of total U.S. coffee consumption.[22]

Yet, despite this growth, the Starbucks victory has been bittersweet. Five years later, just over 3 percent of the company's coffee is purchased under fair-trade terms, and consumers can buy fair-trade coffee by the cup in Starbucks cafés only a few days per year. Critically, the terms of the agreement between Starbucks and Transfair did not stipulate the amount of fair-trade coffee the company was required to buy; the premise was that consumer demand would do the rest. But here the groups discovered some of the pitfalls of working with mainstream market players. To the activists, the goal was clear: all gourmet coffee should eventually be made "fair." For Starbucks, on the other hand, fair trade represents a lucrative niche market: it is just one variety of coffee alongside Breakfast Blend, Ethiopia Sidamo, and Serena Organic Blend. Fair trade also constitutes a powerful tool in the brand's "social-responsibility" strategy. Given that many consumers now identify the fair-trade concept with Starbucks, it would appear that the company has achieved maximum public-relations benefit with minimal changes in its actual practices.

While these activist-versus-corporate struggles continue, fair-trade coffee has moved further into the mainstream (as opposed to only the specialty) segment of the coffee market. In 2003, after substantial pressure from activists, Procter & Gamble—the maker of Folgers, and one of the "Big Three" global coffee retailers—announced that it would sell fair-trade-certified coffee under its Millstone brand. As of 2005, grocery chains such as Safeway, restaurants as un-gourmet as Dunkin' Donuts, and the warehouse retailers Sam's Club, Target, and Costco are all offering fair-trade products in some form. Campaigns at hundreds of colleges and universities have succeeded in placing fair-trade coffee in campus cafeterias and coffee shops. Yet it is still far from clear whether fair trade will have any significant impact on the exploitative practices of the conventional global coffee market.

At the root of fair trade's "success" lies a dilemma. Because of the corporate dominance of the market for coffee and other commodities, many fair traders feel they need to work through powerful mainstream market players in order for the system—and the benefits it generates—to grow. Yet the motivations and actions of most large corporations are at odds with the philosophy of social justice at the heart of the fair-trade movement. This need to embrace the "enemy"—essentially, to dance with the devil—sets up a series of tensions and thorny contradictions that I explore further in chapter 7.

Moreover, the origins of the fair-trade movement itself are divided. Whereas some important organizations are firmly grounded in a radical political and economic critique, other segments grew out of a more moderate, faith-based charity and development orientation. As the movement expands, new viewpoints have been added to these two camps: those of Southern producer organizations and, more recently, a marketing- or business-oriented constituency made up of large coffee roasters and retailers—some of them multinationals—as well as organizations that promote and sell fair-trade products. These differences have not been aired within the movement until quite recently. Although they have emerged over questions of strategy, they reflect deeper philosophical disagreements about the nature of the market and the movement's challenge to that market. Can fair trade change the structural unfairness of world trade from within? Is it a transformative alternative that works from inside the belly of the beast? Or is the logic of the market such that only alternative institutions can effect meaningful change from outside?

MEETING MARKETS

Before we can fully explore these challenging questions, it's necessary to pause to look at some key ideas about markets. First, what exactly is "the market"? Although each of us might have our own ideas of what that term means, few would actively question the proposition that markets and our economic system are inextricably intertwined.

Karl Polanyi, a Hungarian émigré and economic historian, was consumed with these very questions. Polanyi came of age in Budapest at the end of the nineteenth century, was captured while serving on the Russian front in World War I, and later worked as a journalist. He moved to England and then in 1940 came to the United States, where he taught at Bennington College and later Columbia University.[23] While at Bennington, he wrote his 1944 masterwork, *The Great Transformation,* best known for its trenchant critique of the "self-regulating market." That concept originated with Adam Smith in the 1700s but was developed in the late nineteenth century by some economists into a justification for the removal of all government controls over capital and industry. In the theoretical model of the self-regulating market, "all commodities—including labor and land—are bought and sold on competitive markets, so that price changes bring supply and demand into balance. The result of the millions of transactions mediated by the price mechanism is a general economic equilibrium in which all resources are utilized in the most efficient way possible."[24]

Throughout the whole of human economic history until the 1800s, wrote Polanyi, markets—where they existed—had never been the central organizing principle of an economy; rather, they were embedded in the cultural and social fabric of society. Traditional and indigenous societies, which Polanyi studied extensively, used patterns of reciprocity, exchange, and other means to distribute goods. Under the mercantile system, he wrote, states had retained firm control of the economy, and the key elements of land and labor were not generally for sale. In these cases, Polanyi saw markets as socially beneficial structures. But with the Industrial Revolution in nineteenth-century England came the advent of a *market economy,* "an economic system controlled, regulated and directed by markets alone." This was an unprecedented change: "Let us make our meaning more precise. No society could, naturally, live for any length of time unless it possessed an economy of some sort; but previously to our time no economy has ever existed that, even in principle, was controlled by markets."[25] This development led the production of goods, which had traditionally been situated in systems of social relations, to become "disembedded" from those systems. "Normally, the economic order is merely a function of the social, in which it is contained. Neither under tribal, nor feudal, nor mercantile conditions was there, as we have shown, a separate economic system in society. Nineteenth-century society, in which economic activity was isolated and imputed to a distinctive economic motive, was, indeed, a singular departure. Such an institutional pattern could not function unless society was somehow subordinated to its requirements. A market economy can exist only in a market society."[26]

As the English commons were enclosed—privatized—peasants were forced off the land into cities and obliged to sell their labor power, and markets developed for two essential inputs of industry: land and labor. Because these are not truly commodities—that is, objects produced for sale—Polanyi called them "fictitious commodities." To these two he added a third: money, or capital, which industry needed to raise for its expansion.

Unlike other forms of economic organization, Polanyi asserted, the only signals a market economy can perceive are those of price. Under this industrial system, "The creation of goods involved neither the reciprocating attitudes of mutual aid; nor the concern of the householder for those whose needs are left to his care; nor the craftsman's pride in the exercise of his trade; nor the satisfaction of public praise—nothing but the plain motive of gain so familiar to the man whose profession is buying and selling."[27] Such a market cannot take into account values like the quality of human interaction, culture, or the desire for a healthy environment. This key point about the centrality of price is important for understanding the nature of an alternative market such as fair trade.

As the entire society was subordinated to the demands of capital, Polanyi wrote, the market would become disembedded from social relations, setting in motion a process that would systematically replace such relations of reciprocity and redistribution with interactions based solely on economic logic. The consequences would be disastrous: "To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society. . . . Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure. . . . Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed."[28]

However, Polanyi shows that the very notion of the self-regulating market was a fiction. Just as today the most ardent corporate advocates of free trade demand and receive huge government subsidies, in the nineteenth century the state was also the handmaiden of capitalism's rise. The demands of capitalists led England, and later other European states, to protect fledgling industries and enact laws that facilitated further capital accumulation.

Nevertheless, the human misery (and environmental destruction) wrought by the Industrial Revolution was all too real. The "great transformation" that Polanyi described was the development of a counter-movement against these destructive excesses. This backlash consisted of what he termed "movements of self-protection" organized by the victims of unchecked capitalism—in the form of labor unions, cooperatives, credit unions, and other innovations—as well as legislative reforms to control the worst abuses of capital: "A network of measures and policies was integrated into powerful institutions designed to check the action of the market. . . . [A] deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system—this was the one comprehensive feature in the history of the age."[29] This response became institutionalized in the form of labor parties in Europe, progressive legislation in the United States to control the abuses of trusts and "robber barons," Franklin D. Roosevelt's New Deal, and eventually the network of policies and regulations that came to constitute the modern welfare state, never as fully developed in the United States as elsewhere. State regulation of the economy was seen as crucial to protect people from the self-regulating market.

Polanyi's moral sense, and his belief that "preoccupation with the pursuit of ever more economic wealth greatly erodes the quality of human existence," led him to envision a more human-centered economics.[30] He was an advocate of socialism, which he described as "the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society."[31]

Polanyi, who died in 1964, could not have foreseen the resurgence of the dogma of market supremacy twenty years later in the form of economic globalization, or the radical agenda of deregulation and unchecked corporate power that would accompany it. The sociologist Lourdes Benería, in an article titled "Global Markets, Gender, and the Davos Man," takes Polanyi's analysis and applies it to the present neoliberal moment. Markets, says Benería, are again being disembedded as the hard-won framework of regulations and social protections is dismantled worldwide. We are experiencing a kind of economic déjà vu with a harsh new twist: "Some indicators of the degree of globalization are similar to those reached in earlier historical periods—such as before World War I. Yet the intensification of integrative processes during the past thirty years—for example, in terms of increasingly rapid movement of goods, communications, and exchange among countries and regions—has been unprecedented."[32]

Just as in Polanyi's description of nineteenth-century England, where the policy assumptions accompanying the Industrial Revolution dictated that "nothing must be allowed to inhibit the formation of markets," in today's new-old reality we are witnessing a systematic project to eliminate all impediments to the freedom of capital to move where and when its owners wish, regardless of the social and environmental consequences.[33] Solutions to societal problems that would involve any restriction of corporate freedom, we are told, are nonstarters.

Yet this very elimination of barriers requires active intervention. These neoliberal policies are imposed, often coercively and without democratic consultation, by states and unaccountable suprastate institutions, not by some invisible hand. As Benería observes: "Although these policies have clearly increased the economic freedom of many actors involved in the market, they have also represented the use of a strong hand on the part of national governments and international institutions intent on building the neoliberal model of the late twentieth century. . . . To invoke Polanyi, they have been the product of deliberate state intervention—often carried out in the name of market freedoms—imposed from the top down and without a truly democratic process of discussion and decision making."[34]

Of course, these unprecedented changes are not going unchallenged. They have spawned highly vocal new movements of people all over the world who are affected by the excesses of deregulated capitalism. The demands for "Fair Trade, not Free Trade," so visible in the streets at the WTO ministerial meetings in Seattle and Cancún, define for many people the so-called antiglobalization movement, better termed a movement for global social and economic justice. This loose agglomeration of efforts to construct an alternative economic and social reality to counter the neoliberal vision represents a new manifestation of Polanyi's movements of self-protection. Although trade is certainly part of its agenda, the vision is much broader. The clarion call of this movement is best summed up by its slogan, "Another world is possible."

Would this "other world" need to be marketless to be just? Not at all, according to Benería: "As Polanyi stated, 'the end of market society means in no way the absence of markets.' However, this view calls for subordinating markets to the objectives of truly democratic communities and countries."[35] Building such democratic alternatives to "market hegemony" is a tall order. Yet that is the very course that the growing movement for global justice has charted for itself.

Fred Block, an economic sociologist in the United States, has also been strongly influenced by Polanyi. He argues in the book *Postindustrial Possibilities* that the success of capitalism in the twentieth century came about not because of unfettered markets but rather as a direct result of state intervention. However, this intervention did not lead to a self-regulating market, any more than modern free-trade policies were intended to create a level playing field for North and South. The sociologist Jack Kloppenburg addresses Block's observation, bringing it a decade forward: "The pure self-regulating market that responds to nothing but price signals, postulated by Polanyi and dreamed of by theorists, does not actually exist and probably never will. What practical, corporate neoliberals desire is not the elimination of rules, but the application of rules that provide for commodification and the operation of markets on their terms."[36]

While Polanyi's critique said that the danger of the market economy lies in its inability to perceive any signals other than price, Block offers a useful way of analyzing economic transactions that looks at how strong these signals actually are. His notion of the continuum of "marketness" categorizes these exchanges based on the extent to which price is the dominant factor. "High marketness means that there is nothing to interfere with the dominance of price considerations, but as one moves down the continuum to lower levels of marketness, nonprice considerations take on greater importance. It is not as though prices are irrelevant under conditions of low marketness, it is just that they compete with other variables, so that one would expect price differences to be much larger before they led actors to respond."[37] This dimension of marketness, writes Block, operates in inverse proportion to that of social embeddedness: "As the marketness of transactions diminishes, economic behavior tends to become embedded in a more complex web of social relations. . . . [T]he very fact of embeddedness diminishes the relative importance of price signals; it may take quite a large price difference before a purchaser is willing to break off a relationship with a supplier of proven reliability."[38]

Block puts forward one final related variable: instrumentalism, which measures how strong a role individual economic gain plays in economic transactions. Highly instrumental or opportunistic behavior "places economic goals ahead of friendship, family ties, spiritual considerations, or morality." The converse, he writes, is true as well: "The existence of nonopportunistic behavior is evidence of embeddedness, of the power of noneconomic variables, such as the norms of a particular community or the strength of their personal ties to others."[39] Seen through this lens, certain types of transactions one might think of as purely economic suddenly begin to take on other dimensions. For example, Block uses long-term business contracts as an illustration of lower-marketness transactions. People or firms enter into such contracts because their need for reliability and consistent quality outweighs any strictly economic savings that might be gained from playing the market and constantly switching business partners. In contrast, the quintessential instrumental actor, engaged in a high-marketness transaction, would be a commodities trader on a spot market like the Coffee, Sugar and Cocoa Exchange in New York, adjusting her bids and purchases by the minute to maximize gain.

What would transactions at the opposite end of the spectrum look like? Here Block's influential ideas have been extended by other writers. The sociologist C. Clare Hinrichs of Iowa State University has applied the concept of marketness to two kinds of direct agricultural markets—farmers' markets and community-supported agriculture arrangements (CSAs)—asking how embedded they are. In both of these forms, as in fair trade, the key objectives are to provide a greater return to the grower by eliminating middlemen, and to bring producers and consumers closer together. However, Hinrichs expresses concern with the way some advocates of sustainable agriculture have utilized the concept of embeddedness, and cautions that "embeddedness should not simply be seen as the friendly antithesis of the market." Instead, she says, if we really want to understand the nature of different kinds of markets, we need "a more critical view of embeddedness [that] recognizes that price may still matter and that self-interest may be at work, sometimes in the midst of vigorous social ties."[40]

Farmers' markets, which allow face-to-face contact between shoppers and the farmers who grow their food, are a complicated mix of self-interest, marketness, and embedded behavior, according to Hinrichs. Consumers can see the food they are about to buy and learn about the short route it has traveled from the farm as well as the farming practices that were used. They can also sometimes bargain over the price, giving them greater leverage than at the grocery store. As for the farmers, many "participate in farmers' markets *both* because of the premium they get over wholesale prices and because they enjoy the market experience as a social event." Yet, in the end, farmers' markets "can generate genuinely valued social ties, but the familiarity and trust between the producer and consumer does not necessarily lead to a situation where price is irrelevant or where instrumental interests are completely set aside."[41] Hinrichs concludes that farmers' markets "may provide a valuable alternative to the 'monoculture market economy,' but they do not challenge the fundamental commodification of food."

CSAs, in contrast, are typically arrangements in which consumers contract in advance for a share—regular delivery of fresh produce from a farmer throughout the entire growing season. Buyers share in the risks of bad weather and poor harvests, in the form of limited variety or smaller boxes of food. Hinrichs locates CSAs much further down the marketness continuum than farmers' markets: "The CSA share expresses the potential for decommodified relations in the CSA and stands in marked contrast to the usual way of purchasing food, in spot exchanges, whether at farmers' markets or supermarkets. . . . The CSA share then is an economic transaction suffused with trust."[42]

Finally, Hinrichs raises some questions about the social equality that many assume exists in such direct markets. Are farmers and consumers, she asks, meeting on a level playing field? "Many direct agricultural markets focus on 'exclusive products and exclusive customers.' Some farmers' markets and CSAs in the United States have targeted or ended up serving largely educated, middle-class consumers. . . . Many direct agricultural markets involve social relations where the balance of power and privilege ultimately rests with well-to-do consumers. Struggling farmers and poor consumers, in contrast, must weigh concerns with income and price against the supposed benefits of direct, social ties."[43]

MINIMIZING MARKETNESS?

How, then, do all of these concepts about the nature of markets apply to fair trade? Because fair trade emphasizes factors other than price—such as equitable payment, long-term relationships, advance credit, democratic organization by small farmers, and even environmental benefits—it is arguably a good example of low marketness. Some consumers are willing to pay more at the grocery checkout to assure that producers receive fair compensation for their labor, while others might forgo a bargain in order to stick with a fair-trade product. In this sense, fair trade is about reinserting noneconomic values—morality, decency, sustainability, community—into market transactions.

Yet where should we place fair trade on this continuum running between the hypothetical poles of full marketness and full embeddedness? Some observers have stated unequivocally that fair trade reembeds market transactions in social relations.[44] However, taking Hinrichs's approach as a model, it is worthwhile examining the features of the fair-trade system more critically. Unlike farmers' markets or CSAs, fair-trade purchasing occurs within the commodified realm of the grocery store (or the retail food co-op), where products come wrapped in recognizable, branded packages, and where they must compete for shelf space and consumer attention with their conventional competitors.

Clearly, the kind of face-to-face transactions that occur at a farmers' market are virtually impossible with tropical products like coffee, cacao, bananas, or tea (although many fair-trade groups do bring farmer representatives on Northern tours so that consumers can "meet the producer"). The product package itself—both through the certification seal and, often, by providing additional information about fair trade or the producer groups involved—is an attempt to bridge that distance and provide consumers with a greater sense of connection to the farmer. Still, because a bag of fairly traded coffee has passed through the hands of intermediaries—an importer and a roaster-retailer at the very least—each of whom takes a profit along the way, producers are left with a far smaller share of the purchase price than that of the farmers' market seller or CSA grower. Indeed, the fair-trade minimum or base price ($1.41 per pound for organic green coffee and $1.26 for nonorganic) represents between 10 and 20 percent of the retail cost of specialty coffee, which in the United States is currently between $7.00 and $12.00 per pound. By the time transport and administrative costs are deducted, the amount that percolates down to the individual farmer is usually between 5 and 10 percent of the retail price.

The producer loses a measure of power with each link in the commodity chain—that is, at each point where an intermediary takes a cut—regardless of whether these intermediaries are traditional middlemen or fair-trade importers, brokers, and roasters (sometimes, in fact, the links in both the conventional and fair-trade chains are represented by the very same entities).[45] Hinrichs's caution about the "balance of power and privilege" between struggling farmers and affluent consumers takes on even greater resonance when it is applied to the highly unequal context of South-North commodity relations.

Certainly then, by at least some measures, fair trade exhibits *higher* marketness (and is *less* embedded) than either CSAs or farmers' markets. On the other hand, the fair-trade label speaks definitively about at least some of the social conditions under which the product was produced, allowing the consumer to know or trust that at least her purchase hasn't deepened the cycle of immiseration, that she is not supporting "sweatshop coffee." When face-to-face interaction is impossible, this standards-based certification may indeed be the best way to embed such market transactions in relations of greater morality and responsibility.

However, when we attempt to locate fair trade on the embeddedness continuum, we discover another problem: it is a moving target. When the largest corporate agrofood players, such as Procter & Gamble or Nestlé—for whom price, profit, and shareholder return are literally everything—

become involved in the fair-trade system, does fair trade continue to embody low marketness? Some fair-trade advocates would respond that the existence of fair-trade criteria and third-party certification guarantees these corporations will adhere to conditions of fairness; that they have, in essence, been forced to be fair (for whatever portion of their supply is certified). Troubling as it might be, however, it is worth at least considering another possibility: that the marketness of fair trade is a contested arena, one in which the powerful forces of transnational capital are struggling against civil society in an attempt to neutralize the movement's potential to transform market relations.

Fair trade, through its attempt to place a value on the social (and environmental) conditions of production, offers us at least the possibility for reembedding production into those social and ecological systems.[46] In its attempt to raise ethical values above simple considerations of price, fair trade can be understood as part of what Polanyi calls movements for self-protection, a counterforce against the tyranny of the market.

However, fair trade is not the same as the welfare-state "network of measures and policies . . . integrated into powerful institutions . . . to check the action of the market" that Polanyi invoked to describe how these self-protection movements create political change. Rather, fair trade is a voluntary system, relying on willing companies and third-party labeling and certification by nongovernmental groups. During this neoliberal era, in which all interventionist solutions are supposedly off the table, can such practices—essentially nonstate regulation—actually succeed in checking the excesses of the global market? And should checking excesses be the goal, or rather a transformation far more fundamental?

FAIR TRADE AND THE MARKET: DIFFERENT VISIONS

Fair trade is usually promoted to consumers in the North by juxtaposing it against an unjust or unfair global trading system with historically inequitable terms of trade for Southern producers of basic commodities. Yet this formulation, while essentially accurate, obscures basic differences within the growing fair-trade movement about the nature, goals, and practice of fair trade. Depending on their philosophy and, to some extent, their location on the fair-trade chain, different participants view fair trade variously as a "market-breaking" force, a "market-reform" device, or a "market-access" mechanism. Such distinctions are more than merely ideological: they reveal fundamentally different conceptions of the relationship of alternative trade to the larger global market and to free-trade policies. In the often unwieldy coalition that constitutes the fair-trade movement, these incongruities manifest themselves in barely disguised disagreements over tactics and strategy in the actual practice of fair trade.

To some participants, the principal value of fair trade lies not in changing the logic of markets per se but in righting the market's historic injustices. Unequal terms of trade, protective tariffs, quality standards, and other barriers have long combined to deny farmers in the global South, both small and large, access to lucrative consumer markets in the rich nations. At the same time, they watch as their economies are flooded by the dumping of heavily subsidized, impossibly cheap food and consumer products from abroad that sabotage their efforts simply to make ends meet. In this view, then, trade justice consists of facilitating access for producers to the Northern markets from which they have traditionally been excluded. This is the stance of many producer groups in the South, some of the ATOs that work directly with them, some for-profit businesses engaged in fair trade, and many certifying organizations. The craft-oriented alternative trade organization SERRV, for example, defines fair trade as "a system of trade that allows marginalized producers in developing regions to gain access to developed markets."[47] According to the late Subhashini Kohli, former vice president of IFAT and the founding director of Sasha Exports in India, the "main concern for the producers remains with accessing markets and a fair wage."[48]

A second view, in contrast, acknowledges that the market is structurally unfair: it is broken and needs fixing, not just tweaking. These participants tend to be more ideologically motivated—NGOs such as Oxfam, many 100 percent fair-trade coffee roasters, Southern civil society groups, and many consumer activists. Existing markets, they assert, need to be changed to reallocate resources and to place value on fundamentally different criteria in transactions—in effect, to reduce their marketness. This theme of carving out spaces or "zones of control" within existing capitalist rationality is captured by the sociologist Marie-Christine Renard, who writes that fair trade operates in the "interstices of globalization."[49] Oxfam, which in 2002 introduced a major international campaign titled "Make Trade Fair," asserts that markets in the rich countries have been closed to Southern producers because of "rigged rules and double standards."[50] The solution the group advocates is to eliminate intermediaries and use fair-trade labels to communicate directly with "conscious consumers" in order to channel more capital back to the Southern producers. Essentially, this is a market-redesign solution: not a fundamental challenge to the existence of the market, but a strong critique of its efficacy at fairly rewarding some participants.

A third group asserts that alternative markets such as fair trade operate, in the words of the British writer Michael Barratt Brown, "in and against" the larger global market.[51] Adherents to this stance—including many of the activist groups—explicitly link their work in building concrete fair-trade commodity initiatives to a more basic critique of an unjust world economic order. Deborah James, formerly the director of the Global Economy campaign at Global Exchange, describes the objective of fair trade in no uncertain terms: "A movement is developing that aims to smash the current system of production."[52] According to this viewpoint, unfair prices and flawed markets are merely symptoms of a conscious plunder of the wealth of the global South accomplished through the imposition of foreign debt, structural-adjustment programs justified by that debt, privatization of public resources, and coercive "trade rules." These practices are enforced through the policies of institutions such as the WTO, the International Monetary Fund, and the World Bank. The student activist organization United Students for Fair Trade also embraces this stance: the group's literature declares that "we contextualize our work around fair-trade products and certification within the framework of our critique [of] neoliberal economics and global trade policy."[53] Academics too, such as David Goodman and Michael Goodman, would like to see fair trade result in "a fundamental transformation of capitalist society and its distinctive rationality."[54] This position, however, generates some controversy within the movement. For example, delegates at the 1999 IFAT conference eliminated part of a proposed definition of fair trade that would have described it as seeking "structural changes in the international economic framework."

The boundaries between these positions are blurry, and they suggest a continuum rather than distinct ideological camps. Still, the differences are substantive and significant, and they extend beyond philosophy to disagreement over basic goals and practices. As the fair-trade movement has grown beyond its roots in development NGOs and activist circles into a broader, more mainstream coalition that includes commercial importers, corporate retailers, and marketing consultants, these contradictions have become more apparent. To some extent, they reflect distinctions that have been present since the genesis of fair trade—the movement's solidarity strand versus its development strand. Other aspects of the divergence are newer, related to the entry of new constituencies such as large corporate roasters and retailers, who belong to neither of these currents. The various stances also partly mirror the positionality of different participants—the notion that "where you stand depends on where you sit." The urgent material needs of some Southern producer groups, for example, may lead them to see enlarging demand for fair-trade products as the movement's preeminent goal. However, it would be inaccurate simply to equate the market-access position with Southern producers and the more radical rhetoric with Northern activists; there is a broad range of positions in both North and South. This diversity of positions, while generally healthy, also raises interesting issues of how equitably power is shared between the producer and consumer ends of the movement, a question I return to later in the book.

The Northern organizations that take the market-access stance represent a realist perspective, often tied to their missions of community development or poverty reduction, that the market should be used to achieve development and livelihood goals. For the Southern producer groups who hold this position, there is an entirely understandable sense that justice lies in achieving entry to long-barred markets, and that the movement should let the producers do the rest.

At the other end of the spectrum, for those who adhere to the market-breaking view, fair trade is not an end in and of itself but rather one practical expression of a broad social movement that aims to place human needs and the environment above profit and corporate power. For some in this more radical group, working within the market for the present does not preclude a vision of a postcapitalist world. Their belief in the impossibility of achieving true social justice within a market economy leads them to work simultaneously both on tangible fair-trade initiatives and on efforts to reverse the process of corporate-led globalization.

The middle, market-reform stance, in contrast, represents not a challenge to the existence of the market itself, but rather to the ways markets are constructed and administered, to how they deliver and apportion economic benefit to participants. This is not to suggest that such participants lack a strong vision of how market restructuring can achieve greater social equity. Indeed, the Mexican domestic fair-trade initiative Comercio Justo México (Fair Trade Mexico) insists that its efforts are about transforming the very purpose of markets, reordering them to benefit the most disadvantaged members of society and creating "un mercado donde todos quepamos"—a market where we all fit.[55]

Other observers have commented on these distinctions as well. Renard boils the contrast down to just two groupings, divided in their medium-term vision of the movement's reach in the market:

> Though blurred by the uniform term, "Fair Trade," tension remains between two visions: one, a more radical conception that sees "fair" trade as a tool for modifying the dominant economic model, and the other, more pragmatic, that emphasizes the insertion of products from the South under fair conditions in the markets of the North. For the first group . . . the label is merely a tool of transition, and the challenge consists of making fair trade the general rule. . . . [T]he aim is to make all exchanges fair. The second group attempts to penetrate the market and the lifestyle of consumers in order to sell larger quantities of fair products[,] . . . demonstrating by this route that the dominant model is not monolithic.[56]

While Renard hopefully adds that this contradiction is not unsolvable, neither has it been resolved. At stake, again, is the nontrivial issue of whether fair trade should constitute an alternative to the market, a transformative alternative within the market, or a strategy to use the market to improve the lot of those it has long excluded. Jerónimo Pruijn, the executive director of Comercio Justo México, frames this as a question of "whether we're trying to change rules, or trying to change economic models? We necessarily operate from both positions. There is a 'here and now' and this has to do with the conventional market. And there is a model that you're building that is an alternative, but you can't say, 'The only thing I want is for there to be a fair-trade market.' In the end, the fair-trade market was created so that the *conventional* market would become more fair. This must always be the objective."[57]

While aiming to reconcile these disparate views, Pruijn supports those who (in Renard's words) "aim to make all exchanges fair"—essentially the market-reform stance. Yet the momentum in the fair-trade movement (certainly in the United States) seems to be away from even moderate critiques of market capitalism. In the attempt to reach and enlist consumers, a deradicalization of at least the public face of fair trade—the certifiers—has taken place. For some consumers, too, fair trade's appeal may lie in its embrace of relatively straightforward, nonconfrontational tactics (unlike product boycotts or anti-sweatshop campaigns)—which may not necessarily provide a bridge to the deeper "fair trade, not free trade" demands of corporate critics. The *Seattle Times* reporter Jake Batsell describes a rally at Western Washington University in which students demanded fair-trade coffee in the Starbucks café on campus:

> "We're not rallying against [Starbucks]—we're not trying to stick it to the man or anything," said McDonald, a sophomore at WWU's Fairhaven College. "We just want the best coffee for people and the environment on campus." Students who support the fair-trade cause don't have to take part

> in marches or sit-ins to make their voice heard. They can simply choose to buy coffee that bears the fair-trade certified label—or not to buy it if it doesn't. "This is easy activism," said Matt Warning, an assistant professor of economics at the University of Puget Sound who advised students in their effort last year to persuade Fonté Coffee to switch to fair-trade coffee at the campus café.[58]

Nevertheless, such tactics do broaden the base of the fair-trade movement. Indeed, the spectrum of players in the coalition makes for some unusual bedfellows. For example, the present fair-trade coffee campaign in the United States encompasses large importers, mainstream roasters both transnational and regional (ranging from Starbucks to California's Java City), local and national movement-oriented roasters (from Minneapolis's Peace Coffee to Equal Exchange), NGOs ranging from centrist to far Left, religious charities, campus-based student organizations, trade policy activists, and consumer groups, among many other participants.

Such disparate players inevitably hold a wide range of views about the goals, strategies, and tactics of fair trade. Yet, until recently, the movement has largely sidestepped these basic definitional questions, both internally and in public. The differences appear to have been sublimated, intentionally or not, in service of the goal of expanding the fair-trade market overall. Yet as that growth brings in new players who do not share the ideological motivations of any of these three groups, this unspoken consensus has been stretched to its limit, and the schism has become public. Especially visible are the intramovement controversies over three key issues: the terms of inclusion for transnational corporate giants such as Starbucks, Nestlé, and Chiquita; the increasing trend of certifying agribusiness plantations, as opposed to small-farmer organizations; and the relative importance of movement-oriented businesses dealing exclusively in fair-trade products and of large companies making minimal fair-trade purchases. I discuss these developments further in chapter 7.

FREE *AND* FAIR?

How did we arrive at this point, where the fault lines of fair trade have become more and more apparent? Part of the answer relates to the ideology and positionality of the various participants in fair-trade networks, but these differences also point us back toward some of the earlier questions about the relationship of alternative markets such as fair trade to the "big market"—questions which have been brought to the fore by the very growth and success that the movement has experienced. While fair trade might operate to some extent in the interstices of the market, its attempt to change the rules of the game has led it to enter the very game it was formed to counteract. Goodman and Goodman describe this contradiction as "the ambivalent nature of the fair-trade organic network that in some ways operates in spaces marginal to capitalist rationality, but simultaneously is situated in the larger agrofood market and subject to its characteristics and discipline."[59] Other observers, such as Marie-Christine Renard, while acknowledging this paradox, sound a more optimistic note about fair trade's potential to reach escape velocity from the demands of the larger market: "These products occupy a niche in the market, but this niche also responds to a logic contrary to market logic in the way it escapes purely mercantile considerations."[60]

Whether fair trade can indeed continue to avoid "purely mercantile considerations"—whether, in Block's lingo, it can maintain its lower marketness—as it engages in a delicate and potentially dangerous dance with the corporate world will depend to some degree on the watchfulness of its more ideologically driven proponents. The British writer and activist David Ransom, one of those proponents, illustrates this sort of skeptical scrutiny: "There are some serious questions fair trade will eventually have to answer about its credentials. How different is it really? Is fair trade merely out to inject 'ethical' considerations into a system that otherwise remains unchanged?"[61]

The 2003 WTO ministerial meetings in Cancún were an ideal opportunity to test some of those questions. Before they left the Fair and Sustainable Trade Symposium just down the road from the WTO summit, the participants drafted an open letter on fair trade to national governments. The letter is revealing in its anticipation of future threats to fair trade from growing economic liberalization; it calls on governments "to implement proactive policy initiatives and negotiate trade agreements to enhance and not impede the growth of the Fair Trade system." Among the letter's key policy recommendations are these:

> The development and adoption of a Fair Trade policy, based on the definition of Fair Trade given here, that is integrated into appropriate government agency programs and positions vis à vis international organizations such as the World Bank, United Nations Development Program and the WTO. . . .
>
> Trade policies should promote an enabling environment for Fair Trade that upholds the right of producers and consumers to take part in Fair Trading without restriction, for example through restrictions on preferential purchasing and voluntary preferences based on PPM [production processes and methods].[62]

The reference to PPM—one of the areas over which the WTO has enforcement authority—is a proactive attempt to avoid challenges under the WTO framework that would rule out fair-trade standards or certification as unallowable nontariff barriers to trade. Beyond these practical calls to ensure fair trade's survival under a WTO regime, the letter takes a market-reform stance in its admonition that "the promotion of Fair Trade must never be used as an excuse for inaction on broader policy reforms to address the structural inequalities in trade."

Clearly, these are important issues to consider, and the broader vision of the writers is a worthy one. Yet the letter also gives pause. Could the signatories be interpreted as asking governments to "protect our fair-trade niche while you liberalize?" Trusting the WTO to leave fair trade alone would seem to be akin to asking the fox to guard the henhouse. The WTO is structurally hostile to any initiatives that would restrict the freedom of capital. Aren't the formative principles of fair trade diametrically opposed to an institution such as the WTO and its one-size-fits-all global free-trade policies? Or does the voluntary, nonstate nature of fair trade make it a more "WTO-friendly" structure (and is that desirable)? The answers depend on whom one talks to. Paola Ghillani, the former president of FLO and CEO of Max Havelaar Switzerland, says she doubts that fair trade would ever conflict with the WTO's official mandate to eliminate all forms of trade preferences: "I don't think [it will conflict], because I think that we are respecting totally the WTO rules—the rule of transparency and the rule of nondiscrimination . . . the rule of supply and demand. And so the consumers want more transparency, more social and environmental responsibility. . . . We respect the rules, so there is enough supply to be sold under these rules."[63]

However, it appears that some new free-trade deals may indeed pose a direct threat to fair trade. The recently approved Central American Free Trade Agreement (CAFTA) contains language that explicitly prohibits national governments from using their tariff-rate quotas to afford import protection to goods from producer groups or nongovernmental organizations.[64] This may be an early indication of how the framers of international trade agreements are viewing the potential of the rapidly growing fair-trade movement.

As we have seen, placing faith in the market to remedy social injustice can be a dangerous game. Jerónimo Pruijn highlights the dilemma: "[People say that] 'the market is unfair. We want the market to be fair.' This is a bit like placing justice within the parameters of the market. It's falling somewhat into the trap of the neoliberal philosophy that says the market will resolve everything. But it won't resolve everything."[65]

The economic globalizers themselves—transnational corporations, economic elites, and the governments of the wealthiest nations who support them—assert that market access is a boon for the global South. What the world's poorest need, they claim, is *more* trade.[66] Yet a central aspect of the critique of unjust global trade coming from the fair-trade movement (at least its more progressive wings) is that the core of the problem is domination of society by markets—the exclusion from possible debate of any nonmarket solutions to growing inequality, poverty, environmental degradation, and other crises.

CONCLUSIONS

After looking at fair trade's history, some basic concepts about markets and how they work, and the different ways that participants understand fair trade and the nature of its challenge to "the market," it is appropriate to draw a few conclusions regarding these key issues.

First, the movement needs to address explicitly the fundamental and largely unspoken differences that underlie participants' divergent visions of the nature of fair trade. Otherwise, not only will there continue to be disagreement over tactics and strategy, but, more important, fair trade's role as an oppositional movement to the unfair terms of world trade—its potential to be a force truly "within and against the market"—will be compromised. Without a clear position on these questions, the movement is vulnerable to co-optation by its new corporate partners and other forces who have an interest in diluting its key messages about how, and why, mainstream trade is unjust.

It is also necessary to clarify how fair trade relates to the "big market" and to global trade and economic policy. Many advocates rightly argue that fair-trade initiatives, despite their small size and limited reach, play an important role as demonstration projects, showing that alternative market arrangements are indeed possible. However, to focus primarily on carving out an alternative niche to ameliorate a small part of the damage—while acceding to continued expansion of global trade rules and regimes that are destructive to the environment, community integrity, livelihoods, traditional agriculture, and food security (to name just a few areas)—is surely missing the forest for the trees. The notion that fair trade could somehow survive in isolated pockets of low marketness against a creeping tide of corporate globalization is also questionable. The practical results of those neoliberal policies, according to Vandana Shiva, are anathema to the survival of fair trade itself: "Fair trade is the mirror image of what the WTO is about. . . . In the long run, WTO policies will render fair trade such a luxury that it will shrink again. . . . All trade must be fair."[67]

The fair-trade system, as currently constructed, has no organized way to address that kind of shot across its bow. Yet without a comprehensive approach to the global trade regime that seriously addresses fair trade's relationship not only to the symptoms of inequitable trade (unfair prices, no access to credit, unscrupulous middlemen) but also to the political, ideological, and structural underpinnings of that increasingly unjust economics, fair trade could eventually be relegated to a minor, ameliorative role. The fair-trade movement must develop a meaningful response to Shiva's challenge to make all trade fair.

Finally, the market cannot be the sole, or even the primary, arbiter of pressing social problems. Perhaps one reason fair trade is appealing to so many consumers is its implicit promise to address injustice through the workings of the market, which is currently held up as the only acceptable venue for any societal action. In other words, it offers a ray of hope in an era of what George Soros terms "market fundamentalism."[68] Yet the market alone will not deliver social or economic justice. Such substantive change will require concerted action by states and global institutions—pushed by organized civil society—to re-regulate trade and economic activity. Polanyi, writing almost sixty years ago, saw this clearly. Only the "powerful institutions" of the state, he said, could protect society against "the perils inherent in a self-regulating market system."[69]

The next several chapters explore how such contradictions play out in practice for a specific group of farmers who participate in fair-trade markets: coffee producers in Oaxaca, Mexico. These Zapotec indigenous farmers are largely removed from the more theoretical discussions of fair trade's significance, yet they speak eloquently about how the demands of the "big market" impinge on the aim of achieving economic justice through alternative trade.