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Mainstreaming and its Discontents: Fair Trade, Socially Responsible Investing, and Industry Trajectories

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Abstract

Over time, according to popular and academic accounts, alternative trade initiatives [such as fair trade, organics, forest certification, and socially responsible investing (SRI)] almost invariably lose their oppositional stance and go mainstream. That is, they lose their alternative, usually peripheral, and often contrarian character. In this paper, I argue that this is not always the case and that the path to going mainstream is not always an unproblematic one. I observe that while scholars have documented various aspects of specific alternative trade initiatives, little comparative work has been done to theorize their different trajectories. To advance the scholarship, I compare two alternative trade movements, fair trade and SRI, and develop three hypotheses—the relation motivations hypothesis, the material interests hypothesis, and the organization of credibility hypothesis—that explain why going mainstream has been so hotly contested in the fair trade movement but not the SRI movement. I articulate these hypotheses and evaluate their merits.

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Notes

1. Fair Trade USA is not the only labeling initiative. Others include Rainforest Alliance, UTZ Certified, and IMO Fair for Life. However, because of its historical affiliation with the global fair trade structure (i.e., FLO), as well as its remarkable growth, Fair Trade USA has represented to many—for good or ill—the face of fair trade.

   FLO has coordinated fair trade efforts on the international stage (Fairtrade Labeling Organizations International 2010) but not without controversy. One of FLO's responsibilities is to establish the minimum price per pound of coffee, which it first did in 1988 (Jaffee 2012). Some complain that its pricing structure has failed to keep pace with producers' needs. (The floor price it initially established—$1.26 for washed Arabica, $1.41 for certified organic—was not tied to inflation and did not change for nearly two decades, eroding much of its initial significance. At the time of writing, the FLO and Fair Trade USA minimum prices were $1.60 for Arabica and $1.90 for certified organic.) Other debates center on how fair trade should be defined and whether small farmers have a substantial enough say in FLO operations (Reed 2009; Reed et al. 2010).

2. Although I focus primarily on the mutual fund industry as one window into the movement, mutual funds are only one type of actor within the broader movement. Other participants include insurance companies, banks, pension plans, and others in the financial sector (Nicholls 2010; Richardson and Cragg 2010).

3. For Weber, value-rational action is behavior motivated by a commitment to a certain value (Collins 1986; Swedberg 2005; Weber 1978). It is different from instrumentally rational action, or action that has an explicit means-end quality (I choose to do x instead of y so that I can obtain z). Value-rationality is manifest in the way that many practitioners in alternative trade initiatives are deeply committed to the justice-oriented ideals of the movement. For example, paying higher than market value for bags of coffee, or choosing to work only with cooperative farming groups, is value-rational when a roaster does so because she feels it is the ethically right thing to do. The fact that trading

exclusively in fair trade may ultimately hurt her business and may not have a measurable difference in farming communities is secondary to the fact that she feels compelled to act in accordance with her values.

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