Hijacked by neoliberal economics

A fashionable neoclassical political-economic ideology has taken over the management of many fisheries

In the beginning, fish were aplenty and there were no rules upon the face of the deep, and the spirit of free access moved upon the waters. And the fishermen saw that it was good and fished as many fishes as they needed to feed their families and their neighbours. But people were multiplying and replenishing the earth, and more and more fishermen had to catch more and more fish to meet the demand of the ever-growing humanity. And governments said: let there be management, so that there would always be enough fish left in the seas to procreate. And they limited the gear, the vessels, the seasons, and the fishing areas, and they called it 'input regulation'. But, the fishermen kept fishing and their fleets kept growing, and the governments saw that it was bad. So they made licences, and their scientist thought up the maximum sustainable yield (MSY) and the total allowable catches (TACs). But the fishermen kept competing, and over-capitalizing, and the fish became scarce. And the economists said unto the governments: let there be property rights. And they spawned individual transferable quotas (ITQs). And they believed that it is good and said unto the fishermen: Behold, rights' privatization is your salvation. And the governments sent the ITQs upon waters to replenish the seas and subdue all fisheries. And it was good!

This is more or less the gospel, which prevails throughout fisheries administrations in many countries. It makes some people richer and they become its devoted believers and supporters, while the many made poorer—or afraid to become so—its adamant opponents. And the consequences in almost every single case are more or less gradual concentration of fishing rights in fewer and fewer hands, often enough in the hands of major corporate interests, at the expense of small-scale, family- and skipper-owned fishing enterprises that operate one or two small or even medium-sized fishing vessels, each.

Fisheries management is supposed to look after the health of the fish resources exploited by fishermen. This requires knowledge of fishery biology and ecology, population dynamics, and historical data of the fishery and of environmental and associated stock fluctuations in its area. As fisheries management can only manage people, it entails negotiations, legislation, technology and enforcement. There is a whole catalogue of management systems and technical and administrative methods that managers can use to try to achieve their targets. The political attitude of the powers in charge determines the choice of the system and the manner in which it is applied through licensing, quotas allocation, or limits set on effort. The system chosen influences, through allocating benefits to the different stakeholders, the distribution of the benefits derived from the resource. For example, allocating fishing rights to a large number of small-scale fishermen would call for different management methods than allocating them to a large company.

Traditional knowledge

Old-type management by tribal and community leaders and local fisherfolk's organizations based on traditional knowledge of the resource and traditional justice, is now almost totally extinct. It has been replaced throughout most of the world by bureaucratic and technocratic mechanisms heavily influenced by political and economic considerations that, while interested in fish as marketable merchandise and a source of profits to the operators, have only little to do with safeguarding the resource as a source of income to fishing people. Fisheries management has thus become a power play over benefits from the resource. Stakeholders are many, starting with fishing people and local interests in fishing communities, through recreational fishermen, environmental lobbies and coastal development interests, and ending with powerful corporations and market forces, whether local, national or multinational.

Neoclassical economics invaded the management of various commons and national resources as an extension of a paradigm dominant—though very much at issue—in the industrialized world. Its gospel is being spread over the world and its political, financial and academic institutions by troops of disciplined economists, rewarded for devotion, and punished for dissent. So, what is this neoliberal or neoclassical teaching in economics that has also impinged on fisheries? And on what basis are its devoted adherents preaching that theirs is the only way society can take to utilize its fish resources in a feasible and efficient manner?

The old ‘classical’ economic teaching introduced the belief in the ‘invisible hand’ driven by self-interest guiding rational individual decisions eventually into an optimum economy, in which free-market forces take care of all aspects of peoples’ lives. An implied outcome of such ‘free play’ is that any financial profit derived from a common, fully, partly or quasi-privatized resource would somehow trickle down and redistribute itself all over the society. But this is a myth and a fallacious contention, if not an outright lie. It is common knowledge that, in most of the world’s countries, a big share of such benefits indeed trickles down, but to various investments abroad, and to imported luxury products and services. The ‘trickle-down’ theory can approach the real situation only in a few rich countries, where profits feel secure and investments promise further accumulation of capital.

Recently, more and more economists and other social scientists have started casting doubts on the neoclassical gospel, nicknamed by some as ’autistic economics’. Awarding the 2002 Nobel Price in economics to two professors, one of them a psychologist, who refuted the theory that, as a rule, individuals make rational economic decisions, reflected this growing criticism. Economic determinism inherent in the neoliberal theory does not work; the markets’ reaction to prices, the prices’ reaction to the dynamics of supply and demand, and peoples’ reactions and economic activities do not fit that theory’s assumptions. Hence, its weakness in economic analysis and forecasting.

Some economists and other social scientists argue that, contrary to its pretense to a scientific, objective approach, neoclassical economics is, in fact, a social-political narrative and a methodology used by global economic and political interests to concentrate power in the hands of corporate national and multinational institutions. Thus, individual businessmen and small and medium-scale private enterprises, not to speak of wage earners, are losing their influence on socioeconomic decision making to powerful commercial-industrial centres and their collaborators in governments. This transfer of power is promoted, legislated, and executed through democratic processes occurring within the existing legal framework with the help of well-financed journalistic and media campaigns and more or less biased scientific publications, with the neoclassical economic narrative serving as a tool for achieving the explicit goals and hidden agendas of its promoters. Thus, the ‘invisible hand’ has been transformed from the sum of the multitude of individual decisions into the sum of the political and economic decisions of powerful interests.

Profit maximization

Neoclassical economics is supposed to aim at and produce maximization of social and national benefits, which, in fact, are dollar-equivalent measures of how economists value goods and services (including non-market goods and services). It preaches maximization of profits or rents often attained at the expense of heavy social costs. The big question is how these costs and benefits are defined and calculated; since social costs are very difficult to estimate, any portrayal of economics as an absolute, scientific methodology is simply fallacious, and honest economists admit that they cannot adequately calculate all social benefits and all social costs.

It is obvious that losses incurred through forfeiture of alternative actions, and due to various social and other external costs, many of which cannot be evaluated in terms of dollars and cents, are a part and parcel of any economy. As long as we do not take into account all the costs and benefits from production and market fluctuations, various management steps, social, economic and cultural dislocations of people and their ramifications affecting coastal communities, as well as other 'externalities' difficult to express in monetary terms, we are unable to calculate the true net social costs and benefits.

Also, many people associate the term 'social benefits' with how national resources are distributed across society. They ask, for example, how many people make a living from a certain resource. A 'less efficient' small-scale fishery that employs many more people than an 'efficient' big-owner fleet, may feed less monies to the 'national purse', but, as a rule, is directly and effectively more beneficial to people and their communities. Only an in-depth analysis can establish which option would produce truer benefits and values. Thus, it is quite consequential who defines national and social benefits, and how.

For example, calculation of net national benefits for an industrial shrimp fishery in a non-industrial country must include a deduction of the costs of all imports, such as expatriate manpower, fuel and lubricants, vessels, deck and propulsion machinery, processing and refrigeration equipment, and fishing gear, as well as insurance and maintenance costs incurred in foreign-currency. In some cases, the only net benefits from an industrial shrimp fishery in such countries are the revenues from licence fees and the employment of nationals, while the major share of the revenues as well as the product itself goes abroad.

Policy costs

Therefore, responsible economic theory must take into account also values that are non-financial/commercial, and the diverse peripheral socioeconomic, political and cultural costs, as well as the taxpayer's money spent on dealing with human problems resulting from management decisions. Only then would the society and its governments be informed of the *true costs* of any policy proposition, before their natural resources get transferred into the hands of a few. Nowadays, however, such transfer is facilitated by governments' obsession with privatization as a panacea for all maladies of the economy.

The neoliberal gospel preaches that practically nothing can work efficiently, if it is not somebody's private or corporate property. The massive ideological privatization practised in some countries has embraced also such natural resources as water, forests and various energy sources as well as public transport. Even economically viable, and efficiently run national resources often fall victim to the privatization Moloch. How wrong this ideology can be has been recently well illustrated by a whole series of flops of some mammoth privatized and corporate companies, due to both, mismanagement and corruption, as well as by the rather disappointing results of the privatization of the British railway system. Swissair, PanAm, Enron and other recent bankrupt giants were not run by governments.

One consequence of the domination of neoclassical economics is the rather obscure struggle between *free enterprise* and *corporate interests.* In the past, the conception of capitalism and free markets used to emphasize private initiative. Nowadays, however, it isn't necessarily so. Neoclassical economics is leading to a regime in which major businesses and corporations are gradually displacing smaller-scale enterprises and businessmen, while being indifferent towards the social conditions of working people, whose role it reduces to selling their work power on the market. It is 'happy' when supply of labour exceeds demand, because unemployment depresses wages and improves profits.

Some time ago, after the demise of the Soviet system, one would think that free enterprise had won. One is not so sure nowadays. Like the Soviet monopolistic concerns, some of the giant companies of the 'capitalist' world are run by financial bureaucracies supported by ideological economists, who seem to consider small and family-owned enterprises a noise and a nuisance in their concept of 'economically efficient' world.

The invasion of fisheries by neoclassical economics has been a logical consequence to its domination of the global, and many national economies. Like many historical invasions, it was partly invited from inside the fisheries by large-scale interests and their proxies in the management mechanisms, who gave it a friendly reception. Once in, it seems to be here to stay, especially in all those countries where, for various reasons, it is not met with strong opposition.

What brought this ideology into the fisheries is its claim that privatization is the most efficient, if not the only, mode of exploiting a resource. This, even if the resource belongs to the whole nation, as is the case with water, forests and, for that matter, fish in the sea.

When, following the Second World War, the spiralling growth of fisheries brought about the need for management, it was initially based on so-called 'input control'. This implies regulation of fishing effort through such means as limited access, fishing time and areas, as well as other regulations that try to follow the biological characteristics of the species involved. In some countries this management system still works well enough; in others it has been deemed, rightly or wrongly, inadequate. Fish population dynamics models have been used to estimate the biomass of fish populations and, consequently, the fixing of TACs. In some fisheries this led to highly competitive 'gold rush' fishing operations and investment in excessively strong and fast vessels. The next step was dividing the TAC into quotas that were allocated to vessels, usually, according to their fishing history. And this was the moment when the neoliberal economists stepped in with a new pattern: marketable fishing quotas (ITQs).

Property rights

They introduced the rather axiomatic theory that property rights are a must in fisheries for maximum benefit and efficiency, spelled out in financial terms and rational exploitation of the resource. Since property rights are characterized by (i) security, or quality of title; (ii) exclusivity; (iii) permanence; and (iv) transferability, their application in fisheries boils down to ITQs. Thus, mere 'fishing rights' have become 'private property rights'. Trade in fishing rights eventually must hit the weaker stakeholder by allocating individual quotas too small to pay a vessel owner's way out of the red, on the one hand, and by pricing licences and quota entitlements above the value of his/her fishing boat and gear, on the other.

A licence gone from a fishing community is gone forever, together with all the associated jobs, services and income. If it were not for social opposition, a worldwide adoption of ITQs would have proceeded faster.

Since marketable quota systems favour the financially stronger, they invariably lead to a gradual displacement of small-scale individual or family-owned fishing enterprises, and, sooner or later, to the concentration of fishing rights in the hands of a few, either specialized fishing companies, or large holding corporations for whom fishing may be only one branch of a multifarious business. Such concentration would eventually occur even where there are legislative attempts at stipulating acquisition of quota by some maximum values. Hence, there is a growing concern of 'privatization by stealth'. It is incredible that managers introducing this system into small-scale or mixed fisheries would be unaware that its social, economic and political ramifications favour large-scale business at the expense of local fisheries and processing industries, and small-scale operators, and threaten the survival of the small-scale fishing sector. ITQs tend to depress artisanal fishers and effectively exclude part-time participants in local fisheries, and favour the owners, while disregarding crew members. Hence, the selection of ITQ for such fisheries must reflect the political and social attitudes of the respective governments.

Green non-governmental organizations (NGOs) have willy-nilly contributed to the privatization trend. Although some of them, for example, Greenpeace, have joined protests against ITQs, there have been NGOs with often exaggerated and sometimes even fallacious alarmist publications on the state of fishery resources, painting the fishermen as the main culprits, which fueled the neoclassical economists' fires. ITQ advocates have claimed that privatization based on marketable fishing quotas would maintain fish stocks at sustainable levels.

Gold rush

Their main argument was: 'If fishing interests are allowed to invest in a permanent share of the TAC, so that they'd be sure of their relative share in the landings of the respective species from a given area, they wouldn't need to apply the 'gold-rush' mode of operation, and would be interested in maintaining the resource in an everlastingly sustainable condition.' On the other hand, ITQs are a rather peculiar sort of property rights: one pays, sometimes quite heavily, for the right to catch a certain amount of fish; one never knows whether one will be able to get it and at what operational cost, and one doesn't really control the resource and doesn't know whether by observing the rules and sticking to the quota one is not made a sucker by others.

Hence, the potential well-intended stewardship over the resources by quota-owners is, in fact, more than often frustrated by high grading, fish dumping and quota busting. While ITQs indeed mitigated the 'gold-rush' fishing, and their contribution to stock conservation might have happened in a few fisheries, it has been proved so only in a couple of them. At the same time, failures have been reported and documented.

The ITQ system would be socially and nationally justifiable where the resource is technically not accessible to small- and medium-scale operators based in coastal fishing communities, and where exploitation of the resource requires large-scale industrial fishing vessels and fleet logistics.

But where large numbers of small-scale operators traditionally exploit inshore and coastal resources, most of them consider marketable quotas socially and also economically wrong. Harvesting methods that are most efficient in financial terms are often the ones with the worst collateral (including environmental) impact, while less capital-intensive and technologically and operationally sophisticated fishing methods normally allow wider and much more equitable access to benefits from the fishery, with less negative environmental and social impacts.

In Third World countries, for example, coastal fisheries operate under many stresses, the main one being invasion of larger-scale fisheries into waters and stocks accessible to, and fishable by, small-scale fishermen, often with official government support or high-circles' well-paid 'closing of the eye'.

But, in such areas, large-scale operations are less *efficient* than small-scale fishing. They consume several times more fuel per tonne of marketable fish than the small-boat fishery; capital investment in gear and vessels is higher; and they produce fewer *true national benefits.*

The same fish stock that can be fully and profitably exploited by 10 trawlers manned by 100 people, if allocated exclusively to coastal fisherfolk using nets, pots and hooks-and-lines, may provide a living to many hundreds, or maybe thousands of them, never mind how low their calculated profits are going to be.

In many areas, both recreational and small-scale commercial fisheries form the backbone of coastal communities whose economies revolve around fishing. It causes money to flow to equipment and bait, food and fuel suppliers, boatyards, and a variety of commercial and technical services in docks, harbours and marinas, as well as those sectors of the tourist industry that are centred on fishing communities.

Hidden agendas

No doubt, management decisions depend first of all on the prevailing policy objectives. Different governments and the powers that influence them may have different, above-board and hidden agendas. Hence, worldwide, there is no consensus on the objectives of fisheries management. Some governments may believe that safeguarding the well-being of communities where fishery is an important contributor to the local and, thus, national economy is an important goal. 'Safeguarding the well-being' means creating and maintaining conditions that would enable the fishing industry to get an adequate return on investment, and fishing people, sufficient take-home incomes. It also may mean that in certain special circumstances, the State may have to intervene to help a community over a temporary hardship, as it would do for farmers hit by a drought year, or an industrial community hit by an earthquake. Isn't that what governments are for: collecting taxes, providing services, and helping in trouble?

But some governments, as well as most global, transnational and intergovernmental financial institutions are driven by the neoclassical ideology, especially when it comes to economic relations with developing nations. Undeniably, some of the conditions of economic co-operation and assistance imposed by those institutions stem from their wish to protect their investments from misconduct, corruption and mismanagement. But, only too often, under the hypocritical pretext of securing free markets and economic liberalization, their conditions are simply a tool of protectionism. And here we come to fisheries subsidies. The United States, the European Union (EU) and some other developed countries, in view of the heavy overcapitalization of their fishing fleets, came to the quite appropriate decision to stop subsidizing the construction of fishing vessels. They want, however, to have their new policies 'globalized' to cover also the developing world.

A number of developing countries too have had, for many years, large national fleets, and they should not subsidize overcapacity as well. Any international agreement involving fishery subsidies should take into account small-scale fishermen, who have to compete for the local fish resources with large-scale fishing fleets allowed to fish or poach on their native, traditional fishing grounds. Such fleets are subsidized, almost as a rule, whether directly or in a roundabout manner, as are the EU payments for access to fishing grounds of Third World nations. Small-scale fisherfolk operating under such conditions deserve support both on the part of their own respective governments, as well as the international community. Would it be too much to ask the EU, and individual governments of countries whose fleets are out to exploit coastal fish stocks of their own or other countries, as well as the governments who allow such fleets into their coastal waters, to give them a fighting chance?

Fisherfolk in the small-and medium-scale sectors both, owners and hired hands, who do not want to be dislocated from their traditional fisheries by management systems based on marketable fishing rights, should recognize that their main adversaries are the standard bearers of neoclassical economics in national and transnational financial institutions and corporations, and their proxies in fisheries management. It is very difficult to resist such powerful interests in democratic societies without joining forces. For this purpose, provincial, national, and regional fishermen's associations should organize under common umbrellas. Also, international associations of fishing people should create a joint worldwide umbrella that wouldn't affect their individual structure and character, but would enable them to board the globalization train in weight and force.

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