Chapter 11

AN ECONOMIC RATIONALE FOR INSHORE FISHING: SIMPLE COMMODITY PRODUCTION AND THE LIFE MODE APPROACH

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1. INTRODUCTION

Earlier chapters have uncovered the great diversity of activities that are subsumed under the term inshore fisheries and so exposed the basic dilemmas surrounding any attempt to generate a simple, comprehensive definition. Inshore fisheries express themselves in many different forms: they include conventional capture fisheries, which may be undertaken commercially on a full time, part time or seasonal basis or for purposes of recreation, and culture fisheries almost invariably conducted on a commercial basis. Moreover, inshore fisheries are not dominated by the conventional capitalist division between investors, companies and employees. European rural society reveals both a simple commodity mode of production and a capitalist mode of production often existing side by side (Højrup, 1983). Each contains a number of logical variants which co-exist in differing degrees of interdependence and opposition. Under various forms of finance capital or state planning, private, competition oriented, entrepreneurial capitalism coexists with monopoly capitalism, state capitalism and simple commodity production, with the latter organised either as family based enterprises, as for example the family farm, partnership companies, most commonly found in professional, service and manufacturing activities, or in joint or share ownership as in fishing. In fact, practically all forms of organisation associated with capitalist and simple commodity production can be found within the inshore fisheries sector in Europe.

D. Symes and J. Phillipson (eds.), Inshore Fisheries Management, 195–205.

It would be naive, therefore, to pretend that a single economic rationale would suffice for the inshore sector or to imagine that inshore fisheries are in some way exempt from the economics of the firm, the rigours of the market place and the tyranny of profit and loss accounts. What may well be true, however, is that some organisational forms will respond in very different ways to conventional economic signals and adopt markedly different forms of survival strategies.

Several macro-economic trends have influenced the profitability of inshore fisheries over recent years. One of the most significant has been the effects of the globalisation of the food industry and the downward pressure on quayside prices for fish caused by the ever widening sources of supply of both fish and competing foods for the urban markets. In general the industry has been unable to offset these developments by increasing the volume of production; fish stocks are depleted and, in any case, increasing supplies to the market would simply depress prices further. The exception to this rule has occurred in the shellfish sector which has responded positively to the growth in demand for its high priced, luxury products.

At the same time, there has been a significant shift in the relative costs of capital and labour affecting economic production in general, the fishing industry in particular and the inshore sector only to a slightly less marked extent. Due to the development and near universal diffusion of new technologies, coupled with the availability of grant aid and low interest loan schemes for modernisation projects, the relative price of capital has been falling. Meanwhile, as a consequence of widespread wage inflation and rising social insurance charges, the price of labour has been rising. As a result - and as noted elsewhere in this volume, but especially in Chapter 9 - the cost efficiencies of substituting capital for labour have impacted quite sharply on the inshore sector. New technologies have also encouraged changes in the levels of cost efficiency between different fishing methods deployed in the inshore sector. Very few technological innovations have failed to percolate through to the small scale, inshore fisheries in some form or other.

Finally, a major concern for the traditional inshore fisheries in many parts of Europe is the increasing external costs imposed by the expansion of recreational fishing and the explosive development of marine aquaculture (see Chapter 13). Both have tended to challenge the commercial capture fisheries in the market place. In the case of recreational fisheries, the challenge comes from the growth of a 'grey market' for the informal sales of fish to local trade outlets (shops and restaurants) as well as to friends and neighbours. There is also a problem with the burgeoning activity of ferrying recreational fishermen out to the fishing grounds to jig for cod, which disturbs the commercial gillnet fishery partly on account of the significant

loss of lures but also because of the considerable catches of cod made in some areas. A further source of external costs which could impact quite heavily in the future is the burden of restrictions on fishing activity especially in inshore waters in pursuit of more environmentally friendly fishing practices (see Chapter 14) - these restrictions could involve the further designation of marine protected areas and the banning of technically efficient but 'inappropriate' fishing gears.

Against a background of generally rising costs and stable, falling or at best uncertain revenues, the decision to enter the fishing industry is an increasingly difficult one, especially in cases where entry implies high initial costs of acquiring both boat and licence or where remaining in the industry involves the renewal of capital through the modernisation of the boat and the replacement of fishing gear. The decision is made all the more difficult by the likelihood of privatisation of fishing rights in the form of individual transferable quotas (ITQs) for certain species and/or the transfer of part of the management costs to the individual fishermen in the form of licence fees. Access to the fisheries these days is neither open nor free and the days when the inshore fisheries in particular afforded some kind of buffer against economic recession and unemployment in Europe's coastal regions are long gone. Instead, inshore fishermen are themselves required to adjust their economic behaviour to take account of rising costs, increasing regulation and low incomes.

2. SIMPLE COMMODITY PRODUCTION

In comparison with capitalist firms, simple commodity production, where small scale self-employed producers own their own means of production, is frequently characterised as being especially resistant to market fluctuations. It is capable of functioning for quite long periods without earning revenues commensurate with the value of the plant and equipment involved in production - commensurate in the sense of matching the levels required to sustain a capitalist business in production. The owner operator's income can often be supplemented by earnings from ancillary activities which help to keep the enterprise afloat or maintain plant and equipment in working order during periods of poor landings or weak prices. Moreover, a persistent feature of simple commodity production is the undertaking of several functions, normally discharged to third parties, within the production unit itself. The skipper-owner, for example, may be engaged in the direct selling of the catch, together with the repair and maintenance of the boat and fishing gear - activities which both extend his competencies and also internalise some of the current costs of production. Such enterprises can therefore

survive under conditions where business capital might be withdrawn from production and invested in other sectors. The resilience of simple commodity production means that unless especially favoured by economies of scale, capitalist businesses are usually unable to oust small scale producers. Their best hope is for the indirect economic subordination of simple commodity producers through the need to obtain loans to tide them over periods of economic difficulty.

It is commonly assumed that technological innovations tend to benefit the larger, capital intensive enterprises and reinforce the economies of scale. This may be true initially, but the adaptation of the innovation and its absorption by the artisanal sector can eventually dissipate some of the advantages held by large scale operators. The diesel engine, electronic navigation and fish finding equipment are all examples of major technological developments that have ultimately narrowed, rather than widened, the advantages of large scale production.

In agriculture, segments of the sector which benefit most from economies of scale have generally been transferred to specialised secondary industries appropriated by the farmers themselves, while farm production has remained subject to continual improvements in productivity, matching similar developments in much larger economic units. The same is broadly true of the fishing industry. Fishing in coastal waters throughout northern and western Europe is based upon resources which are quite widely dispersed. Hence the advantages inherent in large scale operations such as segmentation and specialisation of the fleet into large trawlers with attendant carrier vessels - as associated with offshore pelagic fisheries - can offer little by way of increases in productivity. There is, in fact, no advantage in large scale specialisation, since the real efficiency in production in inshore fishing and the satisfaction of market demand for good quality, fresh fish calls for fishing units to be fast, flexible, suited to harvesting smaller concentrations of fish and able to switch between different species and different gears. In these circumstances, fishing undertaken with small, skipper owned boats and equipped with state of the art technology is the most competitive form of fishing for the fresh fish market.

3. THE LIFE MODE OF THE SELF-EMPLOYED

Whereas the wage system may be said to provide an organisational structure for a capitalist enterprise, the core of simple commodity production is not organised around economic relations but rather on the basis of social relations in the form of family ties, cooperative relations between partners and other ideologically based associations which bind producers together

into cohesive production units. Joint ownership and share systems in both fishing and small scale farming serve the same functions. As a result the concepts of 'partners' and 'family' assume a radically different significance than among wage earners for whom family signifies a framework for socially reproductive activities rather than for economic relations.

In socially constructed partnerships or family enterprises, the prime concern may simply be to maintain production. If consolidation of the enterprise appears feasible, then large investments may well be made, diversification pursued or ancillary activities undertaken in order to supplement income. But one can never be sure whether these enterprises are producing to full capacity for two reasons: first, because it is not absolutely necessary to maximise revenues in line with interest payments on the capital value of the plant and equipment beyond that needed for replacement and to keep abreast of developments in productivity. For this reason, conventional economic analysis has difficulty in identifying appropriate measures of economic performance in the small boat sector (Boncoeur *et al.*, 2000). Secondly, it is difficult to estimate the level of latent productive capacity which remains hidden in the particular social network which defines the enterprise. The goal of the partnership or family enterprise may ultimately be to remain self-employed. It is, therefore, a means that serves its own end.

Because of this goal, simple commodity production is fundamentally different from capitalist business. Even though there is nothing to prevent a simple commodity producer earning more than is necessary to keep the wheels of production turning, there is no mechanism to ensure that the enterprise will produce at an optimal level, seen from a strictly financial point of view. For this reason, the 'law of value' does not directly apply. A fall in price below the cost of producing the catch is not automatically countered by a decline in production brought about through the withdrawal of some of the producers. Confronted by falling prices, simple commodity producers will instead attempt to increase their output, often in fisheries by diversifying into other locally available species, and if need be supplement their revenues and subsidise the fishing enterprise through undertaking additional activities or even wage work. In the familiar work combination of farming and fishing, which exploited the same or at least overlapping social networks, it was difficult if not impossible to separate the economics of fishing from the economic performance of the farm. Cross-subsidisation of these joint activities was an endemic feature of the traditional pluriactive economy.

The notion of work therefore assumes a very different cultural content than it does in a wage earning economy. A life mode based on simple commodity production makes no distinction between 'work time' and 'free time', which are essential antitheses in a capitalist work environment. Free

time has no real meaning: you are never free from work because you are never put to work. Instead, you put yourself to work; you involve yourself in work, because this involvement is the prerequisite for and, indeed, the essence of being self-employed. You remain responsible for the operation and the success of the enterprise and you are liable for its failings. Although inevitably subject to some degree of social obligation in relation to other partners in the network, this attitude to work is the precondition for being able to perceive all the partners as free and independent: the partners work together out of a common sense of purpose and inner drive. Significantly, as is made clear in Chapters 9 and 10, small boat crews tend not to recognise any differences in status on board the boat. Work and the rewards for work are shared equally - a very different situation to that encountered on the much larger, company owned and industrially structured offshore trawlers.

4. THE LIFE MODES OF EMPLOYEES

Unlike the simple commodity producer, wage earning workers in the capitalist system of production possess neither the means of production nor the qualifications needed to set in motion and control the entire production process. Unskilled workers are incorporated into a long, complex and often tedious production process, wherein their individual tasks are commonly confined to a single phase of the production sequence: the 'skills' are often internalised within the machinery itself. Alternatively, qualifications may be demanded of the employee where the task is to manage more complex machines; the modern skilled worker becomes involved with a sophisticated production process and may be responsible in part for the quality of the finished product.

For the employee work serves the function of providing an income which makes it possible to live a meaningful life beyond work. Work is merely a means of earning free time and is carried out not for its own sake but with the sole aim of achieving a wage. But wages are not simply a product of the work done - they must be negotiated, usually on a collective rather than individual basis and through unions which in the past have sought to monopolise the supply of labour within a particular sector of the production process. The resulting wage levels are, in fact, the product of a complex set of factors many of which are external to the actual work performed. The exchange value of labour power is thus culturally, rather than economically, determined. By contrast, in simple commodity production there is no such commodity as labour: labour, or more properly work, is embedded in the skipper-owner or share system as life mode. In the case of the wage earner one does not work for the sake of the business and the enterprise's

competitiveness is of little direct concern, except perhaps where profit sharing schemes are in place - as is commonly the case in the industrially structured offshore trawling sector.

On the other hand, in a career oriented life mode one strives to make demands on oneself by fulfilling the expectations of leadership, by improving qualifications, by involvement in additional tasks and by surpassing colleagues. Here the concept of work stands in sharp contrast to the ideas of labour or worker solidarity inherent in the unskilled or semi-skilled wage earner's life mode. The career professional does not attain greater freedom by becoming self-employed or by earning a higher wage but through advancement and a change in status within the firm. The concepts of freedom and involvement are wholly related to the work situation and to a career perspective. For the professional the division between work and free time may become just as illusory as in simple commodity production: he may choose to use the free time to develop personal and professional skills and cultivate relationships as an aid to further career advancement. But unlike the simple commodity producer only very rarely will the career professional actually own the means of production. Nor will he recognise any compelling social obligations which tie him to a particular local social network.

5. SIMPLE COMMODITY PRODUCTION AND THE PRINCIPLE OF OPEN ACCESS

In western Europe the capitalist and simple commodity modes of production have coexisted for hundreds of years in the fishing industry. The capitalist mode dominated the high seas fisheries from the fifteenth century onwards. But in the last century small scale fishing units extended their field of operation at the expense of the old company controlled vessels, thus transforming areas like the North Sea from a zone of middle-water fisheries to one suitable for exploitation by a modernised small boat fleet.

Similarities in the differentiation of fishermen in most European countries are partly related to the different life modes outlined above and also to the ways in which resource management systems impact on fishing behaviour. The principle of open access, which addresses the crucial question of access to fishing rights, offers one means of explaining the underlying differentiation and the basic similarities found across Europe. Three levels of specification of the principle can be identified. In the first place, the state may decide to prevent fisheries becoming subject to the full privatisation of fishing rights, thus nominally allowing all fishermen free access to the resource. Secondly, to prevent conflicts arising in the

harvesting of the same stock by boats using different gears, common rules are typically set down to regulate the way in which fishing units relate to each other while on the fishing grounds, including rules for separating different gears in time and/or space which prevent the overlap of incompatible fishing gears. The rules governing the seasonal Lofoten cod fisheries are an outstanding example of this approach. Finally, when fishermen using different harvesting methods clash over how the ecosystem should be exploited - accusing each other of promoting the overfishing of the stocks - the state is required to arbitrate through the introduction of technical conservation measures and/or quota restrictions (Hansen, 1997). In all three instances the state's actions are intended to be neutral, though there is a general belief that most state-led management regimes - and especially those based on quota regulation - will tend to favour the interests of capital over those of the individual small scale enterprise.

Both modes of production can remain viable under these conditions. No doubt the owners of capital would prefer the privatisation and trading of fishing rights because it makes possible the deployment of capital to purchase fishing rights and so eventually monopolise the object of labour. The power of the market is used to force simple commodity producers out of business. But where the regulatory system seeks to protect access rights, then both modes of production can coexist and, in the fullness of time, the self-employed skipper owner may prove the more durable.

The simple commodity mode of production is developed on the basis of a commodity market alone. Costs of production are divided into two elements: basic costs or overheads, which correspond to the operating equipment (boat and fishing gears) which determines the unit's production capability, and 'unit costs' (fuel, ice, bait and labour) which vary according to the duration of the trip. Costs are clearly not a linear function of the quantity of fish landed - and the relationship between catch quantity and costs will vary. To a degree, the relationship is defined by the nature of the equipment (i.e. the overhead costs) which can be manipulated to increase production, improve quality or reduce unit costs. The aim of the operation is to ensure that the earnings of the enterprise are at least equal to the expenses incurred during the production cycle.

This balance can be achieved in different ways and finding the appropriate means of balancing the accounts is the central concern of the simple commodity producer. There are in effect four components which can be manipulated to create a favourable balance: catch volume, quality of the product which helps to decide the first hand sale price, overheads and unit costs. The key variable for the simple commodity producer has tended in the past to be catch volume. If price is beyond his control, the simplest answer is to increase the volume of the catch; the main concern is to ensure that the

catch volume remains above the level needed to cover the costs. With this simple prerequisite in mind, there are four rather different sets of reasoning open to the simple commodity producer.

(i) *Stay at sea just as long as it takes.* The first and most universal reasoning is to spend as much time at sea as is needed to harvest sufficient fish to cover the costs of production; when that level of harvest has been reached fishing can be suspended. In Thorupstrand in the north west of the Danish Jutland peninsula, there are 19 fishing boats varying in size and fishing methods, whose actions seem to confirm this kind of reasoning. There are many days with good fishing weather when the boats remain in harbour. Why? One of the skippers is also president of the local fishermen's association; one has a string of horses; a third has a neat, well cared for garden; and several are Jehovah's Witnesses. In the summer of 1997 one vessel was hauled up on the beach and almost buried in the sand for a month and a half of good fishing - the skipper was on holiday with his family. Only when fish prices fall will it be necessary to spend more time at sea.

(ii) *When prices fall reinvest in the boat and its equipment* with the aim of increasing catch volume or reducing unit costs. One can invest in order to save on fuel, ice or a crew member. With a new engine one can either extend the area of fishing or reach the favoured fishing ground more quickly. With automatic technology for baiting and/or setting and hauling the lines, one can cut out a crew member and so save on unit costs. And when it is not possible to catch more fish because of quota restrictions, it may still be possible to improve methods of handling the fish on board so as to deliver a higher quality product to the quayside and command a higher price. This form of reasoning coincidentally draws attention to the dilemma between increasing the volume of production and improving the quality of the product.

(iii) *When prices are expected to remain low, reassess the investment priorities*. Investment in equipment must not be allowed to generate expenses that exceed the unit's ability to cover overheads and unit costs. It may be necessary to abandon plans to build a new vessel and instead make do with renovating the existing boat and reducing overheads. Fishermen in the northern part of Bohuslan on Sweden's west coast in the late 1960s and early 1970s continued to fish with old but constantly modernised boats at very low overall cost. In the south, the fishermen had invested in large new trawlers. Each took shares in

the others' boats or acted as guarantors. But shortly afterwards the target North Sea herring fishery collapsed and it was no longer possible to catch enough fish to cover their basic costs. The new vessels were sold on often at prices well below the original cost of construction and several coastal communities endured a period of considerable hardship. In the north, however, the more cautious approach guaranteed the survival of most enterprises.

(iv) *Develop a more flexible structure to the enterprise* in which the vessel, its equipment and manpower are jointly capable of generating a level of income which, in almost any foreseen circumstances, will be sufficient to cover basic overhead costs. The modern emphasis in fleet management focuses on the ability of self-employed and share fishermen to mould a flexible and dynamic organisation capable of reallocating the basic components (boats, gears and crews) into new patterns as the circumstances dictate. It is this plasticity which explains why some share based enterprises involve only temporary permutations of the basic components - and it is this that serves to distinguish share fishing from the more stable but less flexible production units such as are found in family farming and which tend to retain their individual identities over several generations. The very flexibility of the simple commodity producer is often sufficient reason to guarantee his survival.

6. CONCLUSIONS

The underlying principle for the survival of the capitalist mode of production is that capital is mobile. It can be withdrawn from enterprises exhibiting low profits and reinvested in other businesses which are more profitable. In general capital tends to follow those branches of the fishing industry where economies of scale are likely to guarantee profits and which demand high inputs of capital to assure the viability. On the other hand, simple commodity production, which characterises much - but by no means all - of the inshore fishing sector in Europe, generates its own advantages through the principle of flexible reorganisation outlined in the fourth scenario of the previous section. All the essential components of the system are 'mobile' and can be combined in a way which gives the skipper owned fleet greater adaptability and enables it to outmanoeuvre the much less flexible company owned, large boat fleets in areas like the North Sea.

Systems of property rights and management regimes are of considerable importance in creating the conditions which make it possible for certain life

modes to survive, while others are forced to retreat from the inshore fisheries. The survival of viable inshore fishing communities, moulded by a life mode of self-employment rather than wage labour, is closely related to the choice of management regime. Privatisation of fishing rights in pursuit of conventional economic notions of efficiency, involving the allocation of individual transferable quotas and the creation of a free market in quotas, could alter the current situation quite markedly and undermine some of the advantages currently enjoyed by the skipper owned small boat fleet. If one wishes to underpin the economic and social welfare of many of Europe's fishing dependent regions, and at the same time maintain a productive inshore fishing industry able to deliver high quality food products, then it seems sensible to select a management regime which best suits the simple commodity mode of production.

7. REFERENCES

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