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Capitalism & the price of fish

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Recently, a number of the UK's celebrity TV chefs have launched "Fish Fight"[1], a campaign to address the rapidly increasing crisis of declining fish stocks that threaten the continued supply of fish for the dinner table.

The campaign's aims are worthy and laudable and the sincerity of the celebrity chefs involved is unquestionable. But as much as they understand food and the threat of the collapse of fish stocks, their limited understanding of the economic forces behind capitalism's inability to sustainably manage limited natural resources guarantees that this well-intentioned campaign is ultimately doomed to failure.

Although this is a UK campaign, the specific problems it confronts apply equally to Ireland and other European countries and is hence worthy of our attention. Moreover, the more fundamental problems underlying the fish problem relate to the relationship between the environment and market forces as a whole.

The problem stated is thus: the current fishing fleet working even the restricted number of days it currently is limited to by EU

[1] www.fishfight.net/

regulations is taking too many fish for the fish stocks to sustain themselves. The new campaign has focused, as a first target, on the issue of discards. Under the current EU quota system, boats are limited to quotas of maximum numbers of fish of each species type they are allowed to land in a given season.

Consequently any fishing boat that finds fish for which they have already exhausted their quota as part of the catch, those fish are thrown back dead into the sea as discards, as they cannot land them without incurring fines or the possible loss of their licence. Obviously the exact figures for these discards are not recorded, but the current estimates are that they could be up to 50% of all fish being caught. Reducing the species quotas then is not necessarily helping the overfishing problem in terms of impact on fish stocks.

While attacking this problem of discards may potentially make gains around the margins of the problem, it is really only playing for time. The fundamental problem remains that too many people are eating too many fish (of particular species). The demand for fish is too large for the rates of recovery of existing fish stocks to sustain. In the terms of market economics, what we have here is a market failure. Supply and demand are not balancing in a sustainable way.

Now if we were to stop there, by saying that the current depletion of fish stocks is a case of market failure, then that might be seen by some as an achievement. That is, to get the large number of people who have some concern in the issue to accept this, as a failure of unregulated markets to manage the balance between supply and demand in a sustainable way, would ground the environmental movement in a more critical attitude to markets as a solution to environmental problems. But in many ways this would be like the Grand Old Duke of York who, when only half-way up the hill, was neither up nor down. To diagnose market failure is useless without some understanding of why exactly the market is failing, so that we may continue on to the top of the hill and see the view of the way forward.

Let's say, for the sake of argument, that the existing fishermen work 200 days a year and to reduce the catch to a sustainable level, at current levels of productivity, we need to reduce that to 50 days a year. Clearly fishermen need to eat and pay bills all the year round, so to make a living wage that would mean increasing their level of pay to four times existing levels. This then would, as a knock-on effect, raise the price of fish proportionately. At quadruple the existing price, fish would become a luxury food item and, according to market logic, demand would reduce accordingly, and we would get a balancing of demand with sustainable supply. (Of course demand and supply curves are not simplistically linear like this in real life, but the shape of the argument remains valid). But there's an obvious problem of competition here. Why wouldn't another fishing concern hire part-time or precarious labour at the pre-existing daily rates and compete the higher-wage fishermen out of business? Clearly hoisting the price of fish by paying fishermen higher wages to compensate for reduced production is a non-starter.

The market solution to the impossibility of paying existing fishermen to fish for only part of the year by increasing their wages would at first sight seem simple. If there are too many fishermen at current levels of productivity to reduce the catch to sustainable levels, then let there be fewer fishermen. They are always complaining of the need for government intervention to stop them going out of business, is it not the laissez-faire solution to let them go out of business until the fishermen are reduced to a quarter of their former numbers so that the reduced catch matches sustainable levels?

There are a number of arguments why this is not straightforward. Despite appearances, individual fishing boats are not self-contained economic units. They still rely on fishing ports to land their catch, ports with fish processing plants and workers to clean and prepare the fish for the buyers, and with a sufficient volume of fish landed so that the large wholesale buyers for retail chains will send their refrigerated trucks to collect the fish. There is a whole interlinked economic chain here that is subject to economies of

scale, such that if the number of boats landing catches at a particular port drops below a certain level, the entire chain is no longer economically viable and the local industry as a whole collapses.

But these arguments, while true, are almost beside the point. Within Europe, the populist and nationalist argument would be that if you destroy the local fishing industry, all that will happen is the Spanish trawlers, working on an even more intense (and less sustainable) level of industrial productivity, will simply move in and hoover up the local fish stocks. Fish that will be taken back to Spain's giant seafood industry and fed to Irish holidaymakers complaining that they can't get seafood like this at home, little knowing that what lies on their plate may equally well have been caught in Irish coastal waters not an hours drive from their home.

But again, these populist and nationalist arguments, while not entirely lacking any basis in fact, are beside the point. The more fundamental issue is one that cannot be solved by arguments at the EU's agriculture and fisheries committees. The fundamental problem is that the market cannot raise the price of fish (or any other product) by limiting the supply of labour to produce it. The moment prices rise to a level where entrepreneurs can turn a profit by hiring additional fishing labour at the average wage to catch more fish, they will do so and increase the supply until the price falls back to the level set by the average wage and the average productivity in the industry.

Within capitalism we simply cannot increase the price of fish to a level that would balance naturally sustainable supply with consumer demand, because the price of fish is set by the price of the labour it takes to catch it, and not the other way round.

This apparently banal observation actually has profound consequences for our understanding of how the capitalist economy works, and, more importantly, what will and will not work as a means of correcting the market failure that is emptying our seas of fish.

For the first part, since the late 19th century and the publication of Karl Marx's criticism of capitalist economics, economist defenders of capitalism have been falling over themselves to declare the labour basis for exchange value a "theory". In fact there is nothing remotely theoretical about production costs being driven by wage costs, it remains a simple fact. But this has particular importance in relation to the management of scarce natural resources for which our economic system pays nothing and thus cannot balance its limits of sustainable supply with our demands.

No amount of regulations or compensatory (Pigovian) taxes will re-balance these market failures, whether it be sustainable management of fish stocks or the release of atmospheric carbon within limits that will keep climate change within boundaries amenable to human civilisation. The only solution to the management of scare resources are absolute limits to our collective extractions or emissions. And the only fair distribution of these absolute limits is an equal one. That means that affected goods and resources need to be taken out of the price system, to the extent that the marginal price of fish (or other limited natural resource) beyond sustainable limits, must be literally priceless — that is, not for sale at any cost.