THE TWO COMPETING PARADIGMS OF LIBERALISM
AND MULTIFUNCTIONALITY IN AGRICULTURE -
A UTILITARIAN PERSPECTIVE

Stefan MANN
Agroscope, Tänikon 1, CH-8356 Ettenhausen, Switzerland
Corresponding author email: stefan.mann@agroscope.admin.ch

Abstract
This paper takes its starting point in Potters finding that neoliberalism, neomercantilism and multifunctionality are the most important discourses shaping agricultural policy. It identifies paradigms that underlie the discourses of neoliberalism and multifunctionality, while neomercantilism can be shown to miss a firm normative framework. The paper uses a utilitarian perspective and concludes in its analysis of the paradigms’ arguments that the realities taken into account for the multifunctional framework are more holistic than for the justification of neoliberalism.

Key words: paradigms, agricultural policy, agricultural philosophy.

INTRODUCTION
Eleven years ago, Potter and Tilzey (2005) have remarked in a seminal paper that essentially agricultural policy is influenced by three different discourses: neoliberalism, neomercantilism and multifunctionality. Over the last eleven years, these discourses have proceeded, but they have neither merged, nor have innovative new discourses come up, so to date the finding by our British colleagues turns out to be a stable one. A brief introduction into the three concepts is provided in the subsequent section, before the methodology of our exploration is presented in Section 3.
Results are then presented in Section 4. Every relevant paradigm creates some sort of a discourse, but not every discourse is underlined by a well-founded paradigm. It is the first objective of this paper to check whether all three discourses are sufficiently underpinned by a theoretical framework to qualify as a paradigm. This will be done in Section 4.1.
A subsequent question is then how ethical the paradigms of agricultural policy are. This is largely dependent on the framework applied. In Section 4.2 I argue why a utilitarian framework is more promising for the exercise we are undertaking than a deontological approach. This utilitarian approach will then be applied in Section 4.3, before Section 5 summarizes our results. Neoliberalism, neomercantilism and multifunctionality
Agricultural policy is usually guided by some set of underlying assumptions. As justified above, this section briefly reviews the three most common sets of assumptions dominant in the public discussions.
Neoliberalism is the underlying rationale of most contemporary economists. The invisible hand of the market is expected to generate the maximum possible utility if it is left unfettered by the state. Supported by mathematical models, it can be shown that most interventions by governments lead to market distortions and subsequent welfare losses. While a lot of recent literature (Hall et al., 2013; Rohnik, 2013; Bruff, 2014) mentions the insufficiencies and the “fracturing” of neoliberalism, most neoliberal discourses have reached a degree of self-assurance that their normative foundations are more often than not just a tacit assumption. Neomercantilism describes the ideology that exports have to be fostered, while imports have to be restricted, a policy that is meant to result in a trade surplus and a resulting strong national economy. Wigell (2016) describes neomercantilism as a power instrument rather than a well-founded policy approach. Likewise, Lucarelli (2013) emphasizes the harmful effects of neomercantilism for neighboring countries.
The ideology of multifunctionality is certainly the youngest of the three, and it has been focusing on the area of agriculture. The complexity of different effects of agriculture is highlighted, even though it often contains positive and negative parameters (Byrnes et al., 2014). While it is hardly realistic to account for all single effects of agricultural production separately, intelligent government tools may enable sustainability of food production (De Rooig et al., 2014). Lately, it has been suggested that multifunctionality is also a useful concept of enterprises when pursuing strategies of Corporate Social Responsibility (Hediger, 2013).

MATERIALS AND METHODS

In the realm of social sciences as solid as agricultural economics, it is common to describe the methodology applied in depth. However, in order to test the transmission of discourses and the justification of paradigms, no statistics of data collections are required, not even a skillful qualitative text analysis. The methodology of such analysis is more or less the methodology of analytical philosophy. “The basic principles of argument construction and evaluation lie at the heart of many of the philosophical skills”, as Beebee (2003; 54) writes. This is a fair description of the methodology as attempted in subsequent sections.

RESULTS AND DISCUSSIONS

Which discourse creates a paradigm?
Discourse comes from the latin “discursus” which means running to and from. In the colloquial form, discourse describes communication about a certain subject. Focault (1792), however, has remarked that a discourse needs some theoretical frame, leading to Lessa’s (2006) definition of a discourse as “systems of thoughts composed of ideas, attitudes, courses of action, beliefs and practices that systematically construct the subjects and the worlds of which they speak”. The definition of the term paradigm only provides added value if it is not used in an identical way as discourse. The Greek term of paradeigma does not only find its origin in deignumi (to show), but adds para to it, which indicates going beyond the mere showing act. Indeed, paradigms are mostly cited in the context of science. Kuhn (1970) has explored the emergence of paradigms in depth, showing that certain preconceptions are the centerpiece of the concept of paradigms.

It is not obvious why liberalism needs the “neo-“ prefix as suggested not only by Potter and Tilzey (2005), but also by many other social scientists such as Saad Filho and Johnston (2004) or Harvey (2005). There may have been some innovations in liberal economic thinking, but the essence has remained constant: The notion that economic actors do not need anything except a secure legal framework to operate in order to unfold their full potential and generate maximum utility.

Summarized in its most radical form by Friedman’s (1970) wonderful headline “The Social Responsibility of Business is to Increase its Profits”, the discourse on liberalism covers the whole range from most substantial, scientific justifications all the way to statements by policy makers or entrepreneurial associations. This also applies to the applications to agriculture. Ranging from Koester and Tangermann’s (1976) early pledge against food market distortions to the conviction that “farmers don’t need more regulation” by Roocke (2013), the argument that a free market will do best and generates optimum results has sound epistemological foundations so that this discourse also qualifies as a paradigm.

Mercantilism has been a powerful intellectual movement between the 16th and the 18th century (Wilson, 1958). In this case, the “neo-“ prefix may have slightly more justification. The last major mercantilist work was written by Steuart (1767). In social sciences, the notion that free exchange would foster growth, since that time, has received so much more sympathy and attention than the notion that nation-states should protect their economies, that mercantilism is not debated in the major international journals any more. Farmer Unions and conservative politicians still loudly defend the mercantilist case. By doing so, however, they turn mercantilism into neomercantilism which is a political position, but unjustified by contemporary scientific standards. The following quote by Murdoch et al. (2003) is
more helpful than welfare economics: “In order to understand … trajectories of development, and the nature of struggles between different social groups interests, the role of social agency must be central to any academic analysis.” The growing movement of fair trade has been cited as an essentially neomercantilist movement (Phillips, 1992). This, however, is unjustified. Fair trade proponents and mercantilists are unified in their longing to protect; but the modes and the object of protection are entirely different. While fair trade intends to protect the weakest elements of the international community (poor peasants), mercantilism wants to protect only entrepreneurs of the own society. And while fair trade uses market demand for their purpose, mercantilism intends to use state power. Bringing fair trade to the context of multifunctionality (Dibden et al., 2009) comes much closer to reality. Multifunctionality is the youngest of the three discourses, going back to the former Commissioner for Agriculture of the European Union, Fischler (2003). It summarizes the idea that agriculture produces a broad range of market and non-market commodities, an idea that has been developed particularly in Europe and North America (McCarthy, 2005). Translated into economic theory (Mann and Wüstemann, 2008), it proposes the ubiquity of externalities, so that only broad public intervention into the farming sector does justice to the many dimensions which agriculture has for human well-being. Adding the fair trade aspect (a framework created by market forces) to this concept, it would mean that both private and public interventions are needed in order to account for the many externalities of food markets. In any case, the numerous attempts of agricultural economists to explain and justify multifunctionality (Jongeneel and Polman, 2003; Hagedorn, 2007; Wilson, 2007) indicate that this discourse has quickly become a competing paradigm to the classic liberal approach to agricultural policy.

Which ethical framework?
Both consequentialist and rights-based approaches provide frameworks for the ethical judgement of actions and of the basic paradigms behind these actions. Of course, it is impossible to generally judge which of the two approaches is “better”. Which one is used primarily depends on the value-system of the author, but partly also how fruitful the respective system promises to be. Rights-based, deontological frameworks such as developed by Kant (1964) or Rawls (1971) are particularly well-suited to protect the rights of persons which would be hurt otherwise. Showing that everybody has the right to be treated in a certain way is particularly essential for underprivileged persons. In most countries and environments, the majority of farmers belongs to the underprivileged class. This might be understood as in argument to engage rights-based frameworks when analyzing paradigms of agricultural policy. However, policies for distributional justice are usually designed as social policy. Using the example of German social agricultural policy as a case in point, Schmitt and Witzke (1975) as well as Hagedorn (1981; 1982) have shown the social policy approaches specifically designed for farmers are unfair and inefficient. Their finding is that there should be no group in society that deserves support because it is located within one particular sector. People should get support because of their actual material or psychological situation. This has shown that rights and sectors should be treated rather independently from each other, which, in turn, leads to the conclusion that rights-based approaches are not particularly helpful when it comes to specific sectoral issues.

Among the consequentialist approaches, utilitarianism is by the most influential, looking for a maximization of overall utility. When economists make normative statements, they are usually based on a maximization of overall utility. Several scholars have been concerned with the differences between philosophical utilitarianism and economic utility-maximization. In doing so, Posner (1979) has come to the conclusion that economists are rather concerned about wealth maximization than about overall utility, and Mann and Gesang (2008) have subsequently explored the differences between the maximization of monetary measures and of happiness. In any case, a first conclusion is that economic welfare theory and utilitarianism have a
comparatively high degree of compatibility through the fact that both have a one-dimensional normative scale. A second important remark is that economists have taken great pains since Posner’s times to include in their calculus factors that do not easily lend themselves for economic valuation. The huge literature having emerged in recent decades on the valuation of the environment (for a recent review see Pethig, 2013) shows that wealth maximization can be softened to a degree that makes it almost indistinguishable from utility maximization.

Having almost touched on the debate between liberal and multifunctional views on agriculture, it can be seen that the utilitarian perspective will be able to contribute to the issue at hand, mainly due to similar epistemological patterns in its methodology. It is therefore worthwhile to judge liberalism and multifunctionality by utilitarian standards.

**A utilitarian analysis**

Before entering the realm of normativity, it will be essential to briefly recall the main differences in the underlying assumptions between liberalism and multifunctionalism. Liberal theory is extremely well documented through a large number of economic textbooks and articles. It may therefore be the easiest way to obtain our goal if we use liberalism as the reference point and define the deviations which multifunctionality takes from that view. Hardly anybody denies that environmental externalities which farmers produce (be they positive or negative) need to be internalized to generate maximum utility for society. However, proponents of a multifunctional agriculture are probably less strict what they count as externality. Liberal textbooks (El Agra, 2004) suspect undue subsidies under the umbrella of environmental justifications, so that Robinson and Ryan (2002) demand: “Design of the instrument must be based on robust science and be established within a legal and policy framework.”

The most important contribution to this worldview by multifunctionalists is to cast doubt. This starts with the reliability of scientific evidence: Lopez-i-Gelats (1998), for example, asks: “What happens, for instance, when private money drives a university research agenda? Or what happens when scientific endeavour is led by sectarian interests instead of by the quality of the research? Modern science fails as well.”

Another important caveat concerns transaction cost. Every additional policy measure causes additional administrative costs, factors being usually neglected by conventional economic analysis. Rørstad et al. (2007) suggest that it is much more costly to issue a large number of well-targeted, but small programs, implicitly justifying broad programs like general direct payments.

However, the most central difference between the two approaches probably is the bandwidth of externalities being allowed into the calculus. Proponents of multifunctional approaches recall all sorts of externalities, not only technological ones. And, as Loury (1998; 123) remarks: “Once it is admitted that preferences and investment in skills of market participants are influenced by social and psychological externalities, the conventional results in welfare economics concerning the efficiency of market outcomes are no longer generally valid.”

Through outlining the differences between both schools of thinking, it turns out that the maximization of utility is the objective of both. However, the model of multifunctional agriculture tries to take a stronger account of complexity in society, thereby dissolving the rigid assumptions of conventional economic models. Multifunctionalists do not close their eyes from the fact that we value many amenities of which no monetary value is easily obtained. While the smell of hay in our neighborhood is usually ignored by mainstream economics, it can occur that this smell is by far valued higher than a bag of potatoes, the latter being of course included in the economic calculus. I may have a strong preference to live in a neighborhood where a majority still knows how to fix a plough, even if I could not define a willingness to pay for that.

The framework of multifunctionality has been criticized as “dressing old ideas into new clothes” by Bilal (2000). His concern is that interest groups may use the concept of multifunctionality to justify all sorts of trade restrictions or subsidies that, in effect, are decreasing overall welfare.
This is a warning that should be taken serious in any case. Justifying public interventions in the market for agricultural goods may never occur randomly or through vague justification. Any reference to the multifunctional nature of agriculture should be supported by sound empirical evidence. Such evidence can rest on quantitative or qualitative data, but it has to become plausible how interventions are, in fact, adding to the welfare of the entire population, not only to the welfare of farmers. The exploration of jointness between agriculture and other amenities (and harms) has to be a priority, as Cahill (2001) rightly claims.

If this important condition is met, however, the multifunctional perspective apparently takes into account a larger share of the existing situation, of preferences and interdependencies. Its impact to increase societal utility will be greater than that of liberalism.

CONCLUSIONS

The considerations above have confirmed that both liberalism and multifunctionality are paradigms being applied as a normative framework for the evaluation of agricultural policies. The relation between them can be illustrated by the image of a theater stage with a curtain. Due to its epistemological foundations, liberalism is restricted to taking a certain part of reality into account. A part of the stage is hidden by the curtain. The paradigm of multifunctionality opens the curtain to a stronger degree, by taking into account effects that are not prone to be valued monetarily. Applied in an appropriate way, multifunctionalists can include a greater part of reality in their calculus, even though there may still may be parts of reality hidden by the curtain.

We know, of course, that not everything which can be seen on stage is real. Particularly when the curtain opens widely, there may be mere show effects without any substance. It will need agricultural economists with a sound mastering of a large range of quantitative and qualitative methods to distinguish real substance of different agricultural systems from empty claims.

REFERENCES


