



## Neoliberalisations in Finnish forestry

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### ABSTRACT

Neoliberal governance strategies change relations between the environment, the state, market actors, and civil society throughout the globe. Such strategies include privatisation, rescaling governance in order to detour state-based decision structures, externalising negative costs, internalising externalities in search of profit via, e.g., a more responsible corporate image, and moving state functions to non-state actors. We examine 1) how the environment and other factors motivate neoliberal strategies, 2) how different stakeholders have reacted to the neoliberal strategies, and 3) what the social and environmental outcomes of these strategies are. We examine these questions regarding two cases in northern Finland: the closure of a formerly state-owned pulp mill in Kemijärvi, and the market-based pressure strategies of NGOs towards state-based forestry in Inari. We make a set of conclusions on the nature of the neoliberal strategies regarding the three previously mentioned questions. These conclusions relate to the observations that internalisation of negative externalities happens only under pressure, that the resistance towards neoliberal strategies is often inefficient, and that neoliberal strategies lead to marginalisations and empowerments. Previously state-dominated forestry decision-making in Finland seems to be changing towards decisions put forward by market actors, such as corporations, civil society actors, such as NGOs, and local actor groups.

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### 1. Introduction

Some of the most significant changes in environmental governance over the past few decades are associated with so-called neoliberal policies and strategies (Liverman and Vilas, 2006). In general, neoliberalism refers to an economic and political philosophy that questions or rejects government intervention in the market, and prefers the behaviour and practices of firms over social and collective controls (Harvey, 2005; Heynen et al., 2007b). However, in recent literature, neoliberalism has not been considered to be a single monolithic or hegemonic project, but a cluster of diverse processes and actually existing neoliberalisations (Barnett, 2005; Brenner and Theodore, 2002; Peck and Tickell, 2002). The idea of actually existing neoliberalisations is that the neoliberal ideology does not impact various localities in the same way, but always collides with local social, political, and economic realities, producing diverse outcomes in the different spaces. Furthermore, considering neoliberalism as one monolithic ideology does not provide an analytical tool for analysing its intended and unintended outcomes and for actually defining what neoliberalism consists of. The actually existing neoliberalisations can be seen to consist of various strategies. Neoliberal governance strategies include, but are not exhausted by, the following: privatisation, marketisation, de- and re-regulation, externalising negative costs, internalising

externalities in search of profit via, e.g., a more responsible corporate image, moving state functions to non-state actors, and rescaling governance in order to detour the state's decision-making power (e.g. Bakker, 2010; Castree, 2008a,b, 2010). We ask how these strategies change the relationships between the state, market actors, civil society and the environment (see Lemos and Agrawal, 2006).

To answer this broad question, we formulate three more strictly framed research questions which are common in the literature on neoliberal environments, treating various intersections between the environment and neoliberalisations (Bakker, 2010; Castree, 2010; Heynen et al., 2007a; Igoe and Brockington, 2007; Mansfield, 2007; McCarthy and Prudham, 2004). 1) How do the environment and other issues motivate neoliberal strategies, 2) how have different stakeholders reacted to the neoliberal strategies in terms of Polanyi's (1944) concept of 'the double movement', and 3) what are the social and environmental outcomes of neoliberalisations. Answering these questions will help us to critically view the utopian promises of neoliberalism, namely that it would bring about a world where the emancipatory power of markets and local civil society decision-making are unleashed from state regulation for the good of the environment and society (Harvey, 2005; Heynen et al., 2007b). Also, the view that neoliberalisations have only dystopian effects is called into question (Castree, 2007). The three questions also stress that there is an iterative relationship between the environment influencing neoliberalisations and neoliberalisations influencing the environment.

Two cases in Finnish forestry provide a fruitful avenue for examining these questions. The first case study concerns a pulp

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mill closure in Kemijärvi, northern Finland. The state-owned mill was established during the 1960s, when the Finnish state strongly supported regionalisation policies and built factories all over Finland. However, the ownership was gradually privatised in the midst of various corporate fusions, and eventually, the mill was no longer functioning for regional development, but for global capital. This made it possible for Stora Enso's corporate management to close the mill and externalise the costs to workers (Rytteri, 2009, 2010; Rönkä and Sarkki, 2011). Externalisation refers to corporate strategies that neglect the environmental degradation caused by the company, and the negative social consequences of corporate actions.

Second, we examine a forest dispute over commercial logging in old-growth forests in Inari, northern Finland. Traditionally, the Finnish state forestry enterprise Metsähallitus has dominated decision-making regarding state forests especially in northern Finland, where most of the forests are owned and managed by the state. However, the market-based pressure strategies of NGOs have rescaled governance in order to detour state-led forestry decision-making, and in that way tried to motivate forest companies to internalise negative externalities. By the concept of 'detouring' we mean the ways how, for example, NGOs and other civil society groups try to engage in decision-making outside state-led processes, and influence the decisions made in these processes from the outside. For example, the market-based pressure strategies used by NGOs do not work with state-based structures (e.g. land-use planning in state lands), but might still feed into the land-use decisions by rescaling governance, for example, by pressurising forest companies and their customers. These detouring strategies pertaining to the Inari dispute have resulted in some state forests having been left outside commercial activity. The Inari case is one of the most recent locations of dispute between Metsähallitus, Stora Enso, environmental and indigenous non-governmental organisations, and local communities (Lawrence, 2007; Raitio, 2008; Riipinen, 2008; Sarkki and Heikkinen, 2010).

This article starts by outlining the literature on neoliberal environments regarding the three questions. Then, the *Material and methods*, as well as case studies on Kemijärvi and Inari, will be presented. In the *Discussion* section, we will bring up lessons learned in the form of conclusions reflecting the three questions. These conclusions help to explain some issues observed in the case studies and might also inspire further research.

## 2. Neoliberal environments

Researchers have paid only little attention to links between neoliberalism and environmental governance, especially in industrialised countries. However, neoliberalism and the environment have various linkages including the environmental impacts of neoliberalisations and the changing human–environment relations due to neoliberalisations. Thus, it has been claimed that neoliberalism is inevitably an environmental project (McCarthy and Prudham, 2004). During recent years, the field of scholarship around neoliberalism and the environment has grown and started to examine the linkages between neoliberalisation strategies and the environment. These departures include examination of changing property rights regarding fisheries (Mansfield, 2004), privatisation of water supply (Bakker, 2005), neoliberalism and environmental justice (Holifield, 2004), and neoliberalisations in nature conservation (Igoe and Brockington, 2007). Thus, neoliberalisations are clearly affecting various domains of environmental governance even in industrialised countries. Here we take part in the discussion in the emerging field of neoliberal environments by examining 1) internalisations and externalisations of social and environmental costs, 2) the double movement in the Polanyian sense, and 3) social and environmental outcomes of neoliberalisation strategies.

### 2.1. Internalisations and externalisations as neoliberal strategies

Internalising negative externalities may provide new possibilities for capital accumulation. It might be beneficial for corporations to adopt 'greener' production strategies because of the resulting positive impact to the company's image as a responsible actor. Internalising negative externalities in search of profit has also been labelled as an 'environmental fix', and as a neoliberal strategy (Bakker, 2009; Castree, 2008a, 2009). Some companies may adopt more responsible production strategies voluntarily and proactively, but often they do so only under pressure. According to Auld et al. (2008), companies change their performance to be more responsible only if: 1) there are criteria against which to judge corporate performance, 2) there exists third-party oversight to verify that these criteria are met, and 3) there are financial incentives for adopting more responsible strategies, or negative outcomes for not complying with these criteria (also Frankental, 2001).

Externalisation of costs by corporations devolves burden also to other actors, such as local communities or company workers, and is thus often beneficial in economic terms and can be viewed as a neoliberal strategy (Bakker, 2010). For example, firing employees in search of better economic results can be seen as an externalisation strategy. Thus, as companies often work within the ideology of profit maximisation, it is tempting in economic terms not to invest in social or environmental well-being, and to leave the negative consequences for others to cope with. Nature and the environment have been viewed as part of the constitution of neoliberal strategies (e.g. Bakker, 2010; Braun, 2008). This means, for example, that certain environments provide more possibilities for capital accumulation than others, and the characteristics of physical environments also tend to direct corporate actions. The characteristics of the environment as well as social and legal contexts may influence, for example, corporate decisions on where to locate their production and where and how to externalise costs regarding various production sites. It seems that the externalisation of environmental and social costs pays as long as there exists no counter-force powerful enough to provide incentives for internalising these costs.

### 2.2. 'The double movement' and the environment

Karl Polanyi was a political economist writing about the introduction of the market economy to England. The key points of his classic work, written before discussion about neoliberalism started, included that markets and society are not discrete but deeply co-evolving entities, that self-regulating markets can be sustained only with authoritative state interventions, and that this will benefit the elite but lead to destructive impacts for other people as well as for the environment. Polanyi (1944) introduced the term 'double movement', which implies that a self-regulating market (neoliberalism) produces benefits, but will also create resistance. The resistance will arise because self-regulating market capitalism commodifies 'fictitious' commodities: land (environment), labour, and money. However, opponents of neoliberalism hold that the environment and labour cannot be regulated merely by markets, because they also have other than monetary values. According to Polanyi, attempts to free the circulation of the environment and labour as commodities will encounter resistance from civil society, which prefers social and political regulation of the environment and labour over self-regulating markets. Furthermore, civil society aims to regulate the allocation of these 'commodities'. These two opposite forces, the 'double movement', will according to Polanyi, tear the society apart (also Castree, 2008a; Prudham, 2008). Bakker (2010: 727) states that the 'double movement' is a result of the fact that 'the neoliberalisation of nature threatens to alienate and dis-embed 'nature' from the socio-natural relations by which it is constituted'.

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