Chapter 6

THE LOGIC OF NEOLIBERAL AGRICULTURAL REFORM INITIATIVES: PERSPECTIVES AND CONSEQUENCES

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ABSTRACT

The main presumption of neoliberal thought is that a clear boundary exists between economic forces and all other socially, culturally, and politically determined ones, and markets—if set free from the market-distorting effects of non-economic interventions—should be able to bring about economic prosperity. This chapter is a head-on theoretical challenge to the plausibility of that presumption. We argue that assumed market characteristics that facilitate economic analysis—such as information or rationality—are indeed highly relative and contextual, and thus that relying on the market mechanism alone as the only societal institution capable of organizing economic life is naïve if not ill-fated. Our position is formulated on four clusters of research conducted on general and agricultural matters: price realization; commodity quality; the nature of exchange and production relations; and the relationship between global and domestic markets. In conclusion, we note that these findings require a fundamental change in the way policy circles and researchers approach the market.

INTRODUCTION

"Developing corporate awareness in agriculture … is a must for Turkish agriculture"
Agricultural Reform Implementation Project (ARIP, 2009)

This chapter takes the position that when humanity entered the 21st century with a global drive to develop markets and boost prosperity, we did so with an underdeveloped understanding of how markets actually work. Thus predictions of how market euphoria may well bring about misery and destruction—for at least some of us—remain elusive.

Ever since neoliberal hegemony became institutionalized in global policy circles *circa* the 1970s, largely fueled by the dissatisfaction with post-World-War-II technocratic and paternalistic governance modalities, no other industry has attracted more radical schemes for economic reform than has agriculture. Parallel with structural adjustments now a quarter-century old, a worldwide revolution took shape in the global countryside. For the first time in history, farmers ceased to be the largest working population on earth. According to the latest available International Labour Organization (ILO, 2009) figures, as of 2008 farmers constitute 33.5 percent of the world's working population, whereas service sector employees and industrial workers represent 43.3 and 23.2 percent, respectively, of the global working class. There is now consensus that neoliberal policies made a radical impact on this (ongoing) shrinkage.

Developing markets in agriculture entailed, above all, displacing farmers in rural areas—and more acutely so in developing countries. Releasing farmer communities from the hard work of agriculture is not itself a problem; indeed, it may even be a desirable policy option, as anyone moderately familiar with the countryside would easily acknowledge how demanding life on a farm can be. However, this global loss of livelihood emerged at a time when job creation in services and industry failed to match rising unemployment resulting from the dissolution of the countryside—thus aggravating the interrelated problems of poverty, unemployment, social exclusion, and human trafficking, to say the least. 22nd-century historians will find it extremely difficult to comprehend just how policy circles worldwide entered such an economic *cul-de-sac* on a global scale. In our opinion, the answer lies in understanding the philosophy of neoliberalism.

Neoliberal economic thinking draws on a social theory that promises to grasp complex human behavior and institutions based on a simple assumption: the social is the sum of unplanned consequences produced by planned and purposeful actions of individuals who are assumed to have entrepreneurial capability to enhance their prosperity. The flip side of the coin notes that any societal attempt to coordinate the behaviors of individuals in an *ex-ante* sense is futile, since it is *a priori* accepted that no one can access all available information regarding the planning of general interaction among individuals. Any general plans or interventions in the ways in which individuals economically interact with each other, even with the best intentions, will result in an inefficient configuration of the relations of economization. The solution for neoliberals is to let individuals plan their own economic world in ways they know best.

How these founding assumptions of neoliberal economic thinking translate to political economy is now well known. The market represents the end result of interaction among "free" individuals. The state needs to refrain from intervening in the market so that it may reach "its optimum capacity" and allocate economic resources "effectively." The government's role in economic matters should therefore be limited to creating conditions for the market to function freely.

However, this policy measure, of securing the "business environment," in itself shows that, even in neoliberal thinking, markets are considered incapable of creating the conditions for this to happen without institutional support—whose stimuli are exogenous to the market. Karl Polanyi (1944:141) was indeed underlining this very fact when he suggested that the creation of labor, land and money markets in 19th-century Britain was nothing but the result of deliberate action by the state: "*Laissez-faire* was planned."

Markets are indeed institutional structures and bound to other structures in myriad ways. Attempts to sever these links and make the market mechanism the dominant and pivotal one are futile in the sense that societies would by and large resist such deconstructions. If truth be told, on examining the consequences of structural adjustment policies in the agricultural sector, the emergence of a puzzling irony would become apparent. Contrary to expectations, recent scholarship has shown that some farmers tend to move not toward the market, but toward increased self-provisioning and protection from neoliberal policies once governments take effective steps toward free market reforms. Furthermore, the literature reveals that structural adjustment programs have been interfering with rural power configurations, and, paradoxically, violating even the neoliberal objective of formalizing market rules. These reforms also created opportunities for a number of informalities that aimed to bypass the logic of markets, and, in addition, reflected a tendency to decrease farmers' capacity to undertake autonomous market activities. It appears that the market would be better off without any free market reform in the field.

This chapter aims to describe the logic of neoliberal thinking in agriculture, the consequences of neoliberalism, and possible alternatives to neoliberal economic policy in agriculture. A brief account of the logic of neoliberalism in agriculture is presented in the first section. The second section plays an intermediary role by providing a wide palette of neoliberal policies that have been applied in agriculture, so that links may be made to their consequences in the subsequent section. Consequently, the third section discusses at a theoretical level what has been going wrong with the neoliberal understanding of the market in general, and in the agricultural sector in particular. It illustrates how neoliberalism misunderstands the very object of its policy recommendation—the market. The final section wraps up the arguments, and touches upon alternative orientations in agricultural reform.

Framing the Philosophy of Neoliberalism in Agriculture

Prior to describing how neoliberalism manifests itself in agriculture, a few introductory remarks are required for clarification purposes. Neoliberalism aims at intensifying and expanding markets by increasing the number and frequency of transactions. The self-motivated actions of private individuals, conducted in competition with every other individual and influencing every other transaction, are believed to enhance society's wellbeing, and promote liberty and order. Support to free trade, liberalized immigration policies, and the mobility of capital, as well as opposition to controls on exchange, prices, rents, and wages, in effect mean limiting the duties of the government, restricting these mainly to the defense of individual property rights.

Historically speaking, the Austrian and Chicago schools (best represented by Hayek and Friedman, respectively) played a crucial role in advancing "free-market" economic theory and countering arguments involving planning and government intervention in economic life (Harvey, 2005). More specifically, Hayek positioned himself around the "tacit knowledge" argument, in that people have bits of fragmented knowledge of the world beyond their immediate surroundings, which makes the articulation of tacit knowledge the main problem of the economic world. Entrepreneurs compete with one another in the pursuit of private rewards, and the market process results in cases of success or failure; possible outcomes include innovation, prosperity, and the realization of arbitrage opportunities, as well as a learning process for all participants in the competitive struggle. Consequently, knowledge transmission and the provision of incentives emerge as the main functions of the market mechanism. Hayek (1948) suggested that the interaction of decentralized and self-seeking entrepreneurs with limited knowledge would bring about a harmonious and evolving order—hence, the "spontaneous order."

Lavoie (1990:74), a leading figure of the Austrian school, indeed identifies the three "cognitive functions of markets" as being computation, incentives, and discovery, and adds, "[w]hat is crucial to [the market's] cognitive function … is that it provides a discovery process that by its very nature cannot be centrally directed but depends on a bidirectional communicative interplay between its participants." This discovery process is crucial in the Austrian setting because it "produces a kind of social intelligence that depends on, but goes beyond, the individual intelligence of the system's participants" (Lavoie, 1990:78). The neoliberal twist in the Austrian approach enters the picture at this very junction, insisting that only the market process, based on the rivalrous interaction of entrepreneurs, can discover and mobilize the potential of tacit knowledge. Proponents of the Austrian school do not deny that the *ex-ante* coordination of the market mechanism unavoidably brings about inefficiencies; they all claim this is indeed the nature of economic reality. This is aptly put by Kirzner (1988:13): "To describe the competitive process as wasteful because it corrects mistakes after they occur seems similar to ascribing the ailment to the medicine which heals it, or even blaming the diagnostic procedure for the disease it identifies."

Complementary to Hayek, who basically defended an anti-interventionist position, Friedman (1962) called for market mechanisms to be expanded to every possible area of life. The argument here is that if current market mechanisms are unable to deal with an economic problem (say, pollution), the remedy should be to introduce new markets (say, a pollution permit market). Becker (1976), another Chicago affiliate, suggested that all human actions, market and non-market, are in fact the outcome of a continuing process of cost and benefit calculus. For instance, according to Beckerian thinking, we all calculate the benefits of conducting a crime (say, theft) and the probability of getting caught and subsequently punished; those who compute a positive net value would be involved in crime, and the rest not. This hypothetical situation tells us that all actions are, in effect, transactions; people are interacting with one other on a contractual basis.

Neoliberalism can therefore be seen as a philosophy where the existence and operation of market structures are *intrinsically* valuable. The corollary of this vision is that the operation of a market formation is seen capable of acting as a guide for *virtually all human actions*.

But for market structures to function as they should, we need also to return to a primitive form of individualism; one that is both competitive and possessive. Ultimately, both the Austrian and the Chicago versions of neoliberal thinking involve, as nicely put forth by Peters (1999), "an emphasis on freedom over equality, where freedom is construed in negative terms and individualistic terms." Negative freedom is freedom from state interference; and it implies, by default, an acceptance of inequalities created by the market.

Contextualized in a historical perspective, neoliberal ideologies gained dominance in the late 1970s under the conservative Thatcher and Reagan governments, at a time when the discontent felt by the large majority with the omnipresence and clumsiness, if not corruption, of most social-democratic governments was at its zenith. Consequently, many people rather dissatisfied with technocratic or paternalistic governance modalities, largely corresponding to post-World War II governments in Europe, opted for neoliberal policies as a means to search for an alternative path that would hopefully bring about self-realization at the individual level, and innovation and efficiency at the macro level.

In agriculture, more specifically, neoliberal thinking prescribed a few key policy measures: deregulate crop and input prices; abolish farmer subsidies; cut technical assistance, transport, processing, and marketing services; and allow the market mentality to dominate the whole range of societal networks in the industry. Hence, once deregulation became the norm and private enterprise the form, farmers and traders would move toward the market, which would in turn promise an increase both in agricultural exports and in economic growth.

Before beginning our inquiry into how neoliberal thinking shaped agricultural policies worldwide, it might prove beneficial to revisit the reasons why it was initially thought to be necessary to curtail market logic in the agricultural sector. In considering the basic reasons, intervention is deemed important, first of all, in order to increase productivity, by promoting technical progress as well as ensuring an effective and productive use of the factors of production. Guidance is also crucial in stabilizing markets, where the supply side is very much dependent on the weather conditions and thus uncertain. Furthermore, as most of the commodities produced in agriculture are of primary importance, it is vital to secure their minimum availability for the wellbeing of the society at large. Finally, a fair standard of living for the agricultural community needs to be ensured if we are to stick to even a minimum degree of social justice.

It thus becomes imperative to ask ourselves why we felt the need to abort our initial aims—to provide farmers with a reasonable standard of living and consumers with quality food at fair prices while preserving our rural heritage. To examine this question, we need first to look at how the neoliberal ideology and its rationales are manifested in agriculture. Next, we will attempt to see whether neoliberal policies in agriculture draw on an erroneous understanding of how markets work in the field, seeing markets as the idealized and under-theorized relationship of buyers and sellers.

NEOLIBERALISM APPLIED IN AGRICULTURE

It is ironic that most neoliberal policies were implemented during the 1970s and 1980s by authoritarian, if not totalitarian, governments. The events that unraveled in Turkey may be considered a case in point, where the structures of political opportunity that made an almost uncontested neoliberal reform possible were, interestingly, created by a most illiberal political measure—the *coup d'état* of September 12, 1980. A quick peek at history books reveals that in 1983, in a political context where all previous political parties, left-wing trade unions, and political organizations were dissolved, Turgut Ozal founded the Motherland Party and won a landslide victory. The implementation of neoliberal economic policies followed and encountered no organized dissent, representing a clear break from the Keynesian import substitution period and proclaiming the coming of neoliberalism in Turkey (Onis and Senses, 2007).

The irony is in a sense understandable, since workers and farmers in general anticipated that income and asset distribution would worsen once the implementation of neoliberal policies began, and most did not wish to find themselves trapped in poverty in exchange for a small chance of becoming much richer. Yet, as mentioned above, there was also salient support for neoliberal policies, as these were viewed as the only alternative to the top-down, and to some extent corrupt, policies of the era.

Let us now focus on agriculture. Although variations exist among different countries, neoliberal policies worldwide aimed to drastically reduce artificial incentives and government subsidies, and to replace them with a support system that would give agricultural producers and the associated industry incentives to boost productivity in response to real comparative advantages. Besides promoting efficiency, the implemented reforms were claimed to be necessary for fiscal stabilization as well. Complete trust in the market mechanism was and still is the starting point of all "reform" initiatives.

Turkey's Agricultural Reform Implementation Project (ARIP), which was promoted and guided by the World Bank, may be considered a typical "reform" step. As some chapters in this volume discuss thoroughly (see Chapter 4 by Akder; Chapter 5 by Cakmak and Dudu), its first official application involved phasing out the "unsustainable" and "distortionary" system of subsidies for fertilizer, credit, and price supports, to "link prices to world market prices." Here the main official reference was to the sum of USD 6 billion spent annually as subsidies; the Bank also underlined the necessity of eliminating the distortionary incentive system created under the subsidy scheme. However, more important, at least for the Bank, was the attempt—though it was never officially proclaimed—to escape the patronage-based agricultural policies of previous consecutive governments. Instead of subsidies, a unified national program of direct income support (DIS) was to be introduced. The officially-stated intention was not to compensate every farmer fully for income lost by removal of the old subsidy system, but rather to cushion short-term losses and continue to provide adequate support to the agricultural sector, yet in an incentive-neutral manner (per-hectare payments with a cap). Consequently, a National Registry of Farmers was launched to identify farmers eligible for DIS payments.

The second element of the program aimed to transform the quasi-governmental sales cooperative unions previously used to administer support prices into organizations "dedicated to serving their farmer members through a process of restructuring and privatization" (ARIP, 2009). This was undertaken with the hope of eliminating government involvement in the marketing and processing of agricultural products. The third and final initiative under the program aimed to encourage farmers to refrain from growing crops that were being produced in great excess, by offering grants to cover the cost of switching to alternate activities. Taking the elements in totality, therefore, the logic has been to gradually transform the agricultural sector into a fully marketized one, and let the international and national competition do the job.

Neoliberal policies have also had important implications for land use. Here, too, the argument was the creation and consolidation of "economically efficient" and "competitive" farms based on private ownership, with unquestionable belief in the driving force of private incentives. It was suggested that the way to put this policy into operation would be the privatization of public or communal lands (including those lands used by indigenous communities) as well as the promotion of share tenancy or land rental arrangements throughout agricultural practices (for a critical analysis, see Akram-Lodhi and Kay, 2008). The underlying assumption here was that individual private landowners would use clearly defined legal land titles as collateral to secure bank loans, promoting prosperity in the agricultural sector through the injection of capital into the production process. The increasing capital inflow to the countryside was argued to add value by stimulating capital accumulation and reducing poverty (World Bank, 2009).

These policy prescriptions, in total, aspire to homogenize property rights in the world today, transform farmers into privatized and individualized economic agents, instigate private capital accumulation in the rural economy, and expand market rationality further in the agricultural sector. Here we observe that (as in other neoliberal projects—see Madra and Adaman, 2009) efficiency trumps fairness, market failures are preferred to government failures, public ownership is considered a vice, and unabashed individualism is celebrated; in this setting to talk about rural society as an ontological entry point will of course be futile.

Market-led agrarian reforms have gained prominence worldwide since the late 1980s as an alternative to the state-led approaches widely implemented over the course of the 20th century. Through policies aiming at securing and formalizing private property rights in urban areas, removing various "distortions" from land and agricultural markets, and introducing a calculative rationality, neoliberal policies have been operational in developing as well as developed countries, with some inevitable differences in emphasis.

After two decades of the introduction of neoliberal policies in agriculture, it is time now to engage with an overall evaluation of such policies—an engagement that will certainly have implications for Turkey as well. To be fair, however, the original neoliberal critique of state-led interventionist policies in the agricultural sector must be kept in mind: lack of innovation, efficiency problems, over-bureaucratization, and the existence of corruption.

Problems and Consequences of Neoliberal Reform

One obvious way to assess neoliberal ideologies in agriculture would be to evaluate the impacts of relevant policies. Accumulated data are presently available, both qualitative and quantitative, to be employed in line with such evaluations. A critical perusal would easily reveal unfavorable results, including: the monopolization in input commodity production and sales; mounting numbers of informal and illegal lenders in the countryside who are also merchants of agricultural commodities; a growing rate of bankruptcy among small producers; a drastic drop in the rural agricultural population (and in turn migration towards rural parts); an escalating role for supermarkets and their dominance in food chains; and an increase in contract farming and the proletarianization of rural agricultural workers on their own lands—all in all, the realization of the threat to their lives and livelihoods for many landless or land-poor peasants and small farmers. Those in support of such criticisms actually underline the fact that the primary reason many segments of the agricultural sector are impoverished is the lack of democratization of power—that is to say, the inability or unwillingness of big farmers and agribusiness to adjust their positions of power—in the rural sector.

This list is by no means exhaustive. However, all these points may be seen as conjectures and thus challenged; and in the final analysis it may easily be argued that these cases are the result of errors conducted during implementation, and thus not to be considered evidence of inferiority on the part of neoliberal ideology. Accepting this line of defense as a legitimate one, we therefore choose to challenge neoliberal thinking theoretically.

Ironically, the most central weakness of neoliberalism in agriculture is found where neoliberalism claims to be strong in theorizing—namely, the market. Representing the arena where demand and supply come together to set a price, the market is assumed to produce the optimum solution for resource distribution in economic relations. According to neoliberals, the market's optimizing function only works if non-market forces, such as the state, do not intervene. Neoliberal thinking in agriculture draws on the assumption that there exists a clear boundary between economic forces and all other socially, culturally, and politically determined ones, and proposes to let the market work effectively by setting it free from the market-distorting effects of non-economic interventions.

As mentioned above, letting the market free in agriculture entailed a few key policy measures: the deregulation of crop and input prices; abolition of subsidies to farming communities; discontinuation of price supports and floor price policies; and withdrawal of the state from agriculture. According to the theory, all markets—agricultural or not—have a natural and spontaneous inclination to evolve into perfect, self-regulating ones where resources are distributed efficiently, if not justly (Becker, 1976; Marshall, 1982; Balassa, 1986; De Soto, 1989). Bates, the foremost theorist of third world agricultural reforms, argues that these policy options were derived from "common sense, the evidence of history, and economic doctrine" (Bates, 1981:11).

Researchers disagree. Social and historical studies of the market challenge the theoretical foundations of the neoliberal approach to the market in two ways. First, researchers inspired by Polanyi's work showed that markets can only operate in a larger social context framed by specific institutional environments. Thus, studying the conditions of possibility that might impact specific market exchange relations is necessary to understand the market.

The most important contribution of the Polanyian strand of research was to illustrate that a neoliberal understanding of the market could not account for the conditions that sustain the very free market prescribed. Free markets need non-market forces to work. Polanyi demonstrated that modern markets were constructed as political projects through the commodification of land, labor and money. The social relations of exchange and production were organized increasingly by the economic logic of free markets, and thus were disembedded from society for the first time in history (Polanyi, 1944). Historicizing the neoliberal understanding of the market provided social researchers with a fruitful opportunity to study the contemporary manifestations of markets as they were prefigured by the capitalist expansion of the world economy, as done by Polanyi and others (Arensberg, 1957; Chayanov, 1966; Kaplan, 1968; Dalton, 1971; Sahlins, 1972; Halperin and Dow, 1977; Fried, 1979).

In 1985, with the publication of Granovetter's famed essay on the problem of embeddedness, Polanyi's main historical arguments were dragged onto the research agenda of economic sociology (Granovetter, 1985). Polanyi's observation that "human economy … is embedded and enmeshed in institutions, economic and non-economic," became the entry point to neo-institutionalism in the embeddedness literature (Polanyi, 1968 [1957]:127). According to this new approach, market processes occurred within social networks.

These researchers deviated from Polanyi in one crucial aspect. Instead of showing how markets in the capitalist West were disembedded from society, they gathered an increasing number of empirical studies to underline the fact that all markets—whether in the West or the rest of the world—were embedded in larger social relations. Yet, in line with Polanyi, they documented how the neoliberal project of letting the market work freely is itself a political project of market-making. Thus, they showed that a neoliberal understanding of the market is not only erroneous, but also informed by a specific political motivation.

Literature on embeddedness is rich in providing critical social theory with ammunition against the universalizing tendencies of neoliberalism.* Research shows that the making of market prices and the organization of marketplaces occur in socially-embedded institutional forms and that, because of their embedded nature, markets connect social positions with power (Fligstein, 1996; Uzzi, 1996; Swedberg, 1997; Carruthers and Stinchcombe, 1999; Podolny, 2001; Le Velly, 2002; Velthuis, 2003; Duina, 2004; Uzzi and Lancaster, 2004; Aspers, 2005). Studies also reveal that markets and market prices are produced in settings embedded in culture or systems of meaning (Spillman, 1999; Velthuis, 2003).

However, the critical potential of the embeddedness literature faced an important limit. The embeddedness approach deems any and all dimensions of markets to be social in nature. Piecing together a convincing argument that shows the social and historical conditions of possibility for markets differs from empirically describing the workings of the market on the ground. This is why it is no coincidence that the embeddedness approach can sometimes be as silent as neoliberalism when it comes to the questions of how markets work in the field; what kinds of agencies, human and non-human, interact in them; how modern sciences including microeconomics apply to markets; how researchers (whether market agents or scientists) contribute to the making of markets; and how prices are realized in concrete market situations. Even the best critiques of the embeddedness approach, which argue that "the concept of embeddedness posits that the world of the market exists apart from society even as it attempts to overcome that divide" (Krippner, 2001:801), propose that the market should in the end be "fully appropriated as a social object" (Krippner, 2001:802).

The limits on institutionalist economic sociology gave rise to new literature that constituted the second strand of research, which refutes the neoliberal approach to the market. Drawing on ethnographical research methods and looking specifically into how markets work in the field, this line of study reaches radically novel conclusions by following the footsteps of its adversary, the neoliberals. Instead of examining the larger framework of market exchange, these researchers looked at the micro-structures of the exchange itself. They focused on how markets worked in the field, and presented groundbreaking findings that destabilized all the founding assumptions of neoliberalism. Such developments also generated new theoretical models in field research (Mintz, 1985; Thomas, 1991; Gibson-Graham, 1996; Wells, 1996; Callon, 1998; Elyachar, 1999; Koptiuch, 1999). Opening up the black box of markets revealed that it was no more than a blank space, occupied by a diversity of struggles both in the West and in the rest of the world (Tribe, 1981). It was argued that assumed market characteristics that facilitate economic analysis—such as information or rationality—were highly relative and contextual, and information acquisition, for instance, was very difficult not only for market agents but also for social scientists (Dilley, 1992). Hence, Gudeman showed that many existing analyses, including those of the neoliberals that draw on formal economic models, continually reproduce and discover their own assumptions in actual market relations (Gudeman, 1986).

New studies challenge the neoliberal understanding of the market based on four clusters of research: price realization; commodity quality; the nature of exchange and production relations; and relationship between global and domestic markets. These findings require a

* For reviews of this literature see Swedberg (1997).

fundamental change in the way policy circles and researchers approach the market. Furthermore, they call for a new approach to reform proposals in the agricultural sector.

The neoliberal understanding of the market draws on the assumption that, if let free, markets would set prices to ensure the optimum utilization of economic resources. In that respect, the price setting mechanism of the market plays a central role in imagining neoliberal policy measures in agriculture. Despite their centrality, however, neoliberal economic theory treats prices as epiphenomenal and regards them as the end result of trading practices.

Institutionalists corrected the under-theorization of price by showing how this approach described markets as price setting contexts, and then explained prices as things that were set in markets (North, 1977; Robinson, 1980). This circularity was cut short in many ways by sociologists and anthropologists who made the social and cultural nature of prices visible (Robinson, 1980; Zelizer, 1981; Alexander and Alexander, 1991; Zafirovski, 2000; Geismar, 2001; Velthuis, 2003; Zajac and Westphal, 2004; Velthuis, 2005). Inspired by Polanyi's work, researchers frequently drew on one of his central concepts—embeddedness—and argued that prices are culturally-constructed amid relations of power, in socially and politically embedded markets (White, 1981; Granovetter, 1985; Fligstein, 1996; DiMaggio and Louch, 1998; Dobbin, 2004; Duina, 2004; Lapavitsas, 2004; Uzzi and Lancaster, 2004).

Drawing on the findings of institutionalism, recent research moved on to studying concrete cases of price making in actual market settings. These studies showed that prices emerge via multiple means in markets, and should not be treated as the end result of trading practices. To understand markets more accurately, specific price realization processes require further study (Callon, 1998; Muniesa, 2000; Maurer, 2002; Caliskan, 2003; Muniesa, 2003; Chiffoleau and Laporte, 2004; Cochoy, 2004; Grandclément, 2004; Levin, 2004; Barrey, 2006; Beunza, Hardie and MacKenzie, 2006).

To offer an example from agriculture, Caliskan (2007a, 2007b) showed that agricultural commodity prices in urban and rural contexts produce various price forms, each prefigured by the specific power relations among market agents. Prices can best be seen as prosthetic devices deployed to further various trading objectives. Traders produce various price forms to prevent or foster exchange. Prices are never set by a mere coming together of supply and demand; they are made, produced, and challenged by a variety of actors in the market process. Thus, simply proposing to let the market free in agricultural commodity markets would further asymmetries in the realization of prosthetic prices. More valid policy recommendations should incorporate specific price realization relations, and the prosthetic price forms that these relations produce in concrete market settings. Furthermore, this conclusion is valid for all forms of markets, from highly developed options markets to oligopolistic local markets, regardless of their degree of perfection.

The second cluster of research that challenges the neoliberal understanding of the market focuses on the exchanged object. It has been commonly assumed that the nature of a given commodity has an impact on how that commodity is marketed. However, the varying quality of commodities and the ways in which their natural characteristics interact with production and exchange processes are almost never incorporated in the approach to markets.

Recent studies show that no market can be properly understood without comprehending the specific qualities of the items that will be exchanged in that market. Historians have illustrated this point better that anyone. Mintz argued that the specific role sugar plays in the development of colonial and post-colonial domination relations cannot be dissociated from the making of its markets (Mintz, 1985). Similarly, Cronon showed that for agricultural products to be exchanged they had to be commodified and reproduced in markets as homogeneous abstractions (Cronon, 1991). The particular commodification histories of agricultural products play a significant role in the making of their markets. Thus, seeing markets as a venue of simple exchange erases the particular history of how the commodified items were actually commodified in the first place.

Despite several commodification trajectories, all agricultural products still exert forms of agency, for they are living organisms. Recent studies reveal that all agricultural commodities prefigure the processes that frame their production and exchange. In the case of sugarcane, it was shown that universal policy recommendations regarding the exchange of sugarcane that did not incorporate sugarcane's specific, natural qualities were doomed to fail, precisely since only those who control the agency of the sugarcane could benefit from its production and exchange (Mitchell, 1998). Similarly, the specific natural quality of rice imposes a limit on rice markets, which are universally uniform institutions of exchange (Harriss-White, 2007). Thus, market approaches require careful attention to the agency of the crop to be produced for the market. This is why a neoliberal approach to the market cannot account for the specifics of markets that it aims to reform.

The third challenge to a neoliberal understanding of the market comes from researchers who focus on the nature of exchanges and the production relations that underlie markets. Their studies showed that market approaches should be reformed to incorporate research designs that pay attention to the dynamic social conditions of commodity production and exchange. A production environment dominated by small producers is fundamentally different from one dominated by incorporated farms. Approaching a market dominated by an agrarian structure of subsistence and semi-subsistence producers requires a fundamentally different approach compared with approaching a market dominated by medium-sized farms that have larger capacity and financial potential for economic reform (Bush, 1999). These forms of categorical variation in exchange and production relations call for a similarly dynamic vantage point in understanding markets, a perspective that is completely absent in the neoliberal approach to agricultural markets.

Furthermore, scholars employing ethnographical research designs showed that exchange relations never form unified markets in agriculture. All markets take place in differentiated exchange relations (Rudra, 1982; Crow, 2001). Producers enter categorically different market relations depending on farmers' capacity to affect prosthetic prices, and on land size, tenurial relations, and financial capacity. Turning our attention to Turkey, for instance, we would observe that agricultural markets are seen to differentiate in three ways. Small producers find themselves in what Bhaduri (1983) calls "forced commerce," where producers are obliged to hand over their crops to their financiers, to cover their debt. Medium-scale producers may have some say in when to sell their crop, yet the constant need for capital investments in agriculture forces them to market their produce as fast as possible. Larger farmers are the only ones who have equal footing with traders, and thus enter into a symmetrical exchange relationship. Any policy recommendation that fails to recognize the dynamic nature of market differentiation in agriculture is bound to be offering erroneous advice. The neoliberal understanding of the market pays no attention to specific market differentiation patterns, thereby proposing to reform a relationship it does not understand.

Fourth, the neoliberal understanding of the market was challenged by researchers who offered a new theory regarding the relationship between global and domestic markets. It was shown that the objective of opening domestic markets to world markets—without taking into account the specific institutional and political working of global markets, such as indirect government subsidies and the presence of options and futures markets—and the incorporated hegemony of global trading corporations would actually hamper the capacity of third world producers to reform their markets based on their own needs. The neoliberal understanding of the market does not pay attention to the ways in which global processes are linked to local relations of production and exchange. For example, proposing to liberalize a local cotton market where farmers' cooperatives can hedge their trading positions in global markets differs fundamentally from offering similar options to a local market that does not have an institutional context for hedging.

Furthermore, global trading practices go through exchanges that draw on corporate concerns. Yet the global countryside, where items to exchange are produced, chiefly draws on non-corporate relations of economization dominated by subsistence and semi-subsistence producers. Expecting these categorically-different agents to act in line with the requirements of corporate capitalism is another weakness of the neoliberal approach to economic reform in agriculture.

Taking all these critical points together, one can easily conclude that the whole neoliberal project in agriculture (also in other sectors) suffers from a serious misunderstanding of how markets are formed, function, interact with other institutions, and are shaped by the society.

Conclusion

Neoliberal policies that have been implemented in agriculture (and indeed in other sectors) can be seen as responses to bureaucratic, top-down and to some extent corrupt (or at least corruptible) practices of the paternalistic governance modalities that arose after the Second World War. It is a truism that, apart from those who felt the threat arising from neoliberal policies to their lives and livelihoods, the middle and upper classes by and large supported neoliberal ideology from the late 1970s onwards. The state-led system certainly had its own problems, as touched upon above, and there was therefore a pressing need to reform the prevailing state–economy–society structure. Yet, instead of searching for alternative governance modalities that would address these failures, the straightforward solution that neoliberal economists proposed was to cut down the intervention channels of society and the state apparatus from economic life entirely.

Yet, as the last section made clear, the understanding of the market structure in the minds of neoliberal thinkers has had many flaws, and therefore the whole marketization drive, where competition among many entrepreneurs is thougt to promote efficiency and innovation, turns out to be a naïve attempt. Furthermore, in an environment where power is unevenly distributed (as in the case of land ownership), it is a simple logical conclusion that those with power will very likely have benefited and those with no power will most probably have suffered under neoliberal applications.

The corollary of this logical result would entail that with the state's withdrawal from its traditional obligations to rural populations and the waves of privatization affecting people's control over natural resources, it is highly probable that many poor peasants and small farmers were exposed to the harshness of market forces. Additionally, concern regarding the extent to which neoliberal policies can satisfactorily address, let alone deal with, the sustainability and rural heritage dimensions is a case in point.

Perceived as threats by many, neoliberal ideologies have been confronted, nationally as well as internationally. One line of opposition has been to address and provide solutions to the hierarchical state modality. Here the common aim has been to make the whole governance modality more participatory and transparent, and to incorporate all major stakeholders into the decision-making processes. The second line of opposition has been to form alternative production and distribution organizations. Here reference can be made to many rural social movements, such as *La Vía Campesina* or *Movimento dos Trabalhadores Rurais Sem Terra* (MST), whose self-proclaimed aims were to defend and struggle for the peasant way of life and livelihood. The Campesina way, for example, describes itself as "an international movement which coordinates peasant organizations of small and middle-scale producers, agricultural workers, rural women, and indigenous communities from Asia, Africa, America, and Europe", with an aim of developing solidarity and unity among small farmer organizations in order to promote: gender parity and social justice in fair economic relations; the preservation of land, water, seeds and other natural resources; food sovereignty; and sustainable agricultural production based on small and medium-sized producers (La Via Campesina, 2009). The movement further advocates a decentralized model where production, processing, distribution, and consumption are largely controlled by the communities themselves and not by transnational corporations

Although it is possible to expand the list of such alternative attempts, neoliberal thinking continues to exercise its power on our economies, including the agricultural sector. Part of this dominance can be explained by referring to the current distribution of power, nationally as well as globally, which feeds and is fed by neoliberal policies. But the other part results from the inability to provide a feasible alternative path to neoliberal ideology that would be supported by many. In the search for alternative paths, we think that understanding how the market mechanism works is of crucial importance. The aim of this chapter has been to provide some clues to that end.

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