Roots of Hunger

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In recent times, all the major international banks (IMF, World Bank, Inter-American Development Bank, Asia Development Bank, and so on), all the major financial newspapers and mass media have been forced to recognize that there is a major food crisis, that hundreds of millions of people face hunger, malnutrition and outright starvation.

> *'The world's poor countries will spend about $38.7 billion dollars importing cereals this year, double the amount they paid two years ago for the same amounts and a 57% increase from 2007.'*
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> *Quote from US Senator Byron Dorgan at the United Nations Food and Agricultural Organization (UN FAO), Financial Times, 21 April 2008*

World conferences have been convoked, national emergencies have been declared as millions riot in nearly 50 countries, and threaten to overthrow regimes and mass social tensions rise even in the most dynamic, high-growth countries like China and India. Even in the imperialist countries in North America and Europe, skyrocketing food prices, combined with stagnant wages, home evictions and debt payments threaten incumbent regimes and increase pressures on all governments to take urgent action.

The élite responses are predictably inadequate, and their explanations for the crisis range from inadequate, self-serving, to silly. The World Bank repeats the call for emergency food aid, and several hundred million dollar grants to the 'most needy' – those countries where there have been major food riots, sacking private food distributors, private wholesale and retail outlets, and threatening or ousting free market regimes who have been the model pupils of the World Bank and International Monetary Fund policies.

The self-styled economic experts predictably make asses of themselves trying to evade the failure of their past prescriptions. Conservatives and liberal and progressive academics and policy advisers all blame 'China for eating too much meat' (Professor Paul Krugman of Princeton University and *New York Times* columnist), the 'growth of demand', 'inflation'; the progressives point to the diversion of production to bio-fuels 'ethanol' and 'bio-diesel', or to 'the lack of government planning and the distortion of priorities'.

The increased food aid has yet to have anything but momentary impact, in limited regions, on a fraction of the affected population. Pointing the finger at the growth of demand begs the question of the 'lack of supply', and the structural features (land tenure, profit seeking, ownership patterns and state-class relations), which shape it. Equally important, even where foodstuffs arrive at the market, they are priced out of reach for the majority of urban and rural workers, peasants and the unemployed. The supply-demand critics fail to apply a class analysis of the 'producers' who determine the price system (according to their oligopolistic market power and criteria for profits) and the consumers (informal and poorly paid formal workers with declining income). Capitalist farmers are in a position to protect and even increase their profits by passing added costs for inputs on to the weaker market power of the consumers, aided and abetted by the neo-liberal free market political regimes.

The progressives who blame bio-fuels for the food crisis (higher prices resulting from the diversion of grains and land use to fuel production) fail to address the most elementary structural questions: what classes came to state power and fashioned the economic policies which enabled the 'diversion' to take place? Heavy private and state borrowing in the 1970s due to the availability of cheap credit led to the growth of indebtedness. Indebted private banks, businesses and manufacturers, real estate developers, through powerful influence and direct links to the state, foisted their private debts onto the state and ultimately onto the taxpayers, what was later described as 'socializing the private debt' or 'bailing out the private sector'.

The state, faced with mounting debt obligations – the so-called 'debt crisis' –, turned to the IMF and World Bank to secure loans and, more important, to gain their certification for jumbo loans from commercial banks. The IMF and World Bank demanded fundamental structural changes from the state to grant loans. These conditional loans involved a comprehensive transformation in investment, trade, consumption and income policies, which had a major impact on the class structure and the composition of the ruling class.

The international loans, both official and commercial, and the structural changes which accompanied them, led to the elimination of protective trade barriers in agriculture and manufacturing. As a result, there was a massive inflow of subsidized agricultural commodities from the US and the European Union, which destroyed small and medium size family farm producers of basic foodstuffs. The bankruptcy of food producers led to massive displacements of farmers and farm workers to the cities and the concentration of land in the hands of agro-business plantation owners who concentrated on growing crops for export.

The IMF and World Bank demands included the re-allocation of state credit, loans and technical assistance toward big agro-exporters in single commodities because they earned hard currency needed to pay back loans and for profit remittances of the multinational corporations back to their stock holders, directors and owners.

The IMF and World Bank agreed to negotiate the roll over of impending interest and principal payments of debtor states on condition that they privatize and de-nationalize all lucrative and monopoly state enterprises. Privatizations and de-nationalization led to large-scale foreign takeovers of vast tracts of rich agricultural lands and grain production and exports by local landed oligarchs and foreign investors.

These policies eliminating trade barriers, and promoting privatization and de-nationalizations, the deep penetration of markets and production sectors, and the heightened emphasis of state intervention on behalf of export-oriented foreign exchange earnings economic activity was dubbed 'neo-liberalism'. This model was a combination of state directed and regulated socio-economic policies designed to enhance the role and power of foreign and domestic élites oriented toward specialized world markets.

The ascendancy of this new power configuration during the 1980s and 1990s dictated the key political and economic decisions regarding investments (their allocations, their sector and sub-sector) as well as the markets (internal and external) and the products (foods, fuels, staples) and pricing (oligopolistic cartels). The basic principle guiding the new foreign and domestic ruling classes was to specialize in complementary activity within the world economy (what orthodox economists call 'specialization based on comparative advantages'). The integration of foreign and local ruling classes was mutually supportive and lucrative: private capital and commodities traversed their international commodity and financial circuits.

The large-scale, middle term consequences of this new power configuration for agriculture, food production and prices manifested itself in a little over a decade. By the second half of the first decade of the 21st century an unprecedented agricultural crisis erupted: the ascendancy of the agro-export sector of the ruling class and the implementation of their 'free market' agenda led to the end of price controls and the skyrocketing of prices. Prices reflected the social relations of production and distribution: big capitalist farmer dominance of land and investment shaped 'supply' and wholesale prices; giant global commercial retailers ('supermarkets') set direct consumer prices. There was 'competition' between oligopolist producers and distributors over who could secure the highest prices and biggest profits.

The ruling class agro-exporters ended subsidies for family farmer food producers and increased export subsidies for staple producers. Family farmers were bankrupted and their land was bought up by real estate speculators (self-styled 'developers') for commercial uses, golf courses, resorts, luxury gated communities and export staples. Rice fields were turned into country clubs. Wheat and corn prices doubled in the course of the ten months between September 2007 and July 2008. Profits 'fatten(ed) Cargill's balance sheet' (*Financial Times,* 15 April 2008): quarterly profits went up 86% to $1.03 billion dollars in the third quarter ending 29 February 2008. It was not simply, as the orthodox pundits would have it, that 'demand' was up, but that hundreds of billions of speculator monies poured into commodity markets. Under conditions of tightly controlled markets by big agribusiness, grain stocks fell to their lowest levels in 35 years relative to demand, largely because big agro-capital sought to limit supply of food and increase production of fuel, and diverted capital to commodity speculation. As a result of the ascendancy of giant agro-capitalist rule, and their investment and land use policies, average food prices rose by 45% between July 2007 and April 2008, and are projected to rise by an additional 15% by July.

Frightened more by mass protests toppling compliant client regimes than mass hunger and rising mortality of the poor, the capitalist leaders from around the world met in Washington in the spring of 2008. They whined about the food riots and moaned over the 'loss of a decade's progress (sic) in Africa' and even called for 'action'. As could be expected, a few hundred million in emergency food aid was promised, destroying the last bastions of small-scale farmers producing food for the local market. Neo-liberal regimes throughout Asia were frightened into blocking exports of basic food items in order to prevent food riots turning into mass insurrections: wages and salaries lagged behind accelerating food prices. The neo-liberal regimes of Indonesia, Egypt, India, Vietnam, China and Cambodia banned foreign sales of rice (*Financial Times,* 16 April 2008). Yet these protectionist gestures and food handouts have had little positive effect at home and have exacerbated scarcities for food importers. Corn futures hit a record $6.16 dollars a bushel between January and March 2008, a 30% increase. Indonesia's export ban raised the price of rice 63% during the first three months of 2008.

None of the world leaders meeting in Washington 'concerned' about hunger, regression and, most of all, revolutions, proposed agrarian reform – redistributing land to peasants and farmers to produce food. None of the leaders even proposed reforms such as price and profit controls and the re-conversion of land use to agricultural production. None of these leaders proposed outlawing speculation in commodity futures in the world bourses. It is no wonder that the IMF 'predicts' food prices will continue rising until 2010.

The fuel prices have not been reduced with the triple digit increase in ethanol production. Ethanol (and fuel) and food prices have increased despite expansion of production because the same monopoly power configuration operates in both sectors.

The wage-price gap is structural immiseration. The mass protests, in the Third as well as the imperial countries, are over immediate basic problems. But their roots are embedded in the deep structures of the capitalist economy.

Only mindless prestigious orthodox economists employed by the Central Banks still prattle about 'core' and 'headline inflation' – as if food, fuel, health and education price increases are not central to everyday life for billions of lives. Even worse they fail to understand that rampant inflation and stagnant incomes are deeply embedded in the very structures of capitalist economy and state. What is absolutely clear is the bankruptcy of the theory of export product specialization at the expense of food security. What was a demand of a radical minority is now at the top of the agenda for a multi-billion person movement.

People are demanding a u-turn from the disastrous Friedmanite theories of relying on monopolized world food markets to a return of revolutionary policies of food self-sufficiency.