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Food, Fairness, and Global Markets

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Abstract and Keywords

This chapter examines issues of fairness in the organization of global agricultural markets. The discussion begins with a survey of the challenges in feeding the world and the debates between “market fundamentalists” who defend strongly pro-market, pro-globalization approaches and critics who deny that such challenges can be addressed fairly through markets alone or through particular forms of market organization. Conceptions of fairness that market fundamentalists and critics alike agree upon, as well as additional norms of fairness defended by critics, are applied to four prominent aspects of global market organization in the agricultural sector. They include: trade subsidies and protectionist restrictions, economic development strategies that often leave lesser developed nations caught in a commodity trap, supply-chain management though contract agriculture, and patterns of large-scale farmland acquisition known as the global land grab.

Keywords: globalization, agriculture, market fundamentalism, fairness, trade subsidies, trade protectionism, commodity trap, contract agriculture, land grab

Introduction

A conversation about how to feed the world in 2050 is gaining momentum.[1] One strand of the conversation emphasizes the moral obligations of the global affluent to assist the global poor.[2] The central question concerns the most effective means for meeting the basic needs of the poor. Frequently discussed options include food aid and technology transfer, including chemical inputs for improving crop yields and genetically modified drought-resistant crops. By contrast, many economists recommend market-based mechanisms for global development rather than resource transfer strategies. The familiar mantra is "trade, not aid."[3] It is widely assumed within the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), and the Organization for Economic Cooperation and Development (OECD) that rapid integration of less developed countries into global markets is essential in order to increase the rate of economic growth, relieve severe poverty, and reduce hunger and food insecurity.[4]

The aim of this essay is to examine critically four kinds of agricultural policies favored by proponents of rapid global market integration as a pathway out of poverty and food insecurity. I explore the theoretical and empirical assumptions behind such policies, along with the norms of fairness widely cited as their moral justification. (p. 368)

In the second section, I preface the discussion of global agricultural markets by examining demand-side and supply-side market challenges to feeding the world in 2050.

In the third section, I examine "market fundamentalist" views that support pro-market solutions on grounds that they routinely produce outcomes that not only satisfy the economic goal of efficiency, but more important, also satisfy norms of fairness.[5] I examine opposing arguments that claim that markets often fail to produce the expected outcomes, and even when they do, often they are unfair for reasons not recognized by market fundamentalists.

In the remaining sections, I discuss four agricultural policies at issue in the debates between market fundamentalists and their critics. They include: (1) elimination of trade barriers and subsidies designed to benefit domestic consumers or protect agricultural producers; (2) shifting agricultural production from crops intended for local consumption to commodities intended for export; (3) expansion of access to global markets for small land holders through contractual production arrangements; and (4) promotion of foreign direct investment in large-scale agricultural production facilities.

Feeding the World in 2050: Global Challenges of Supply and Demand

Current global agricultural markets are shaped by a number of factors. Not all of them are of recent vintage. Not even globalization of agricultural markets is new. There has been a world market for wheat, with more or less unified prices since the 1880s.[6] Nor is the potential for popular backlash against the effects of global commodities markets new. For example, food riots in nineteenth-century England were propelled by the Corn Laws, which imposed tariffs on grain imports in order to protect domestic farmers from the effects of global price fluctuations. The backlash occurred because the high commodity prices paid to farmers made the costs of basic food unaffordable for many people.[7]

More recently, complaints about rising grain prices figured prominently in the Arab Spring uprisings. The slogan that resonated across Tahir Square was "Bread, Freedom, and Social Justice" (*aish, hurriya, adala igtimaiyya*). Bread (*aish*) in Egyptian Arabic refers to life.[8] The call for bread is a call for government policies that protect against the most serious threats to human life posed by global food markets. Some observers (p. 369) predict that future protests of this sort are likely to grow in frequency and urgency due to the increased volatility of intensely competitive global food markets.[9]

Two demand-side challenges arise from changes in consumption patterns. It is estimated that by 2050 the world will need to increase food production by 50% to 100%.[10] One reason is the Demographic Transition. By mid-century, world population is expected to increase from 7 billion to 9.7 billion.[11] Another demand-side factor is the Nutritional Transition. As some residents of the developing world get richer, they increase the variety in their diets, with a larger share of their protein requirements obtained through the more resource-intensive production of livestock animals.[12]

Two supply-side challenges stem from the fact that some resources that are essential to food production are dwindling.

First, the world is running out of land suitable for most agricultural cultivation. Roughly 70% of the world's arable land is currently used for some human activity, including agriculture.[13] Between 30% and 40% of the land under cultivation has become too degraded to support agriculture over the long term.[14] The primary reasons for soil loss differ by region, but among the most important factors are overgrazing, increased soil or water toxicity, and water erosion due to deforestation or other land-use decisions. The result is that the rate of topsoil depletion vastly exceeds the rate of replenishment in all regions of the world. The depletion-to-replenishment ratios range from 10 to 1 in the American agricultural heartland to as much as 40 to 1 in parts of China.[15]

Agricultural land scarcity is exacerbated also by the global conversion of agricultural lands from the production of food crops to the production of biofuels or livestock feed. Both also contribute to spikes in grain prices.[16] Price volatility poses a grave risk of hunger and food insecurity.[17] For the roughly 2 billion people who make less than $2 per day, food costs account for 50% to 80% of their household budgets.[18] (p. 370)

Second, although dramatic increases in access to clean water and sanitation have been made over the last forty years, the world is running out of accessible fresh water.[19] Groundwater mining and other improvident water-management practices have led to the depletion of aquifers around the world.[20] These practices, together with loss of glacier ice that feeds the world's largest rivers and desertification exacerbated by global warming, are putting these gains in jeopardy.[21] By 2025, 1.8 billion people are projected to experience absolute water scarcity, and two-thirds of the world is expected to live under severe water-stressed conditions.[22] In addition to the immediate threat to human health from lack of potable water, there are important long-term implications for agricultural production. Agriculture accounts for 70% of all freshwater uses globally and 85% of water used in developing countries.[23]

Unprecedented levels of demand for food, together with scarcity of essential production resources, are shaping the incentives of the major participants in agricultural markets. Multinational corporations and governments have expanded their global footprint in search of new opportunities for the production of food for citizens of developed nations. Where market fundamentalists see new opportunities for economic growth, poverty relief, and greater food security for less developed nations, critics see risks to the resources necessary to meet the needs of the world's most vulnerable citizens.

Market Fundamentalism and Market Fairness

Market-based agricultural policy proposals are part of a broader set of economic policies that have enjoyed widespread favor within the World Bank, IMF, WTO, and various regional development banks. Among the most widely discussed policies are removal of tariffs and other restrictions on exports and imports, imposition of fiscal austerity on debtor nations, and the privatization of state industries.[24] The common denominator of these general macroeconomic policies and specific policies for the agricultural sector is a commitment to an augmented role for market forces in shaping social organization and distributive outcomes.

These economic policies are often referred to by critics as "neo-liberalism" or the "Washington Consensus." Both labels are useful insofar as they identify possible (p. 371) motivations behind the policies, but they deflect attention from the central task of this essay, which is to evaluate the merits of the arguments offered as justification for the policies. The term "neoliberalism" was coined by Louis Rougier in 1938 to describe a social agenda for transforming societies by insinuating the market into every aspect of daily life, thereby displacing relationships based on solidarity and shared responsibility.[25] The phrase "Washington Consensus" was coined by John Williamson to designate specific elements of policy advice given by Washington-based institutions to Latin American countries in the 1980s, but critics appropriated the label in order to highlight their claim that socially destructive policies were imposed on poor nations in order to promote the economic interests of developed nations.[26]

"Market fundamentalism" is a more recent label reflecting a somewhat different critical purpose.[27] It shifts attention away from the motives behind the policies to what critics see as the flawed theoretical underpinnings and faulty empirical premises upon which the policies rest.[28] Critics of market fundamentalism emphasize that the merits of such arguments matter, independently of whether they mask controversial visions of social transformation, provide ideological cover for economic nationalists, or, as some economists argue, result from uncritical acceptance of economic dogma within the economics profession.[29] Market fundamentalism, according to its critics, is a worldview that goes astray by offering an overly optimistic view of how global markets work and a flawed view of the fairness of the outcomes they produce.[30]

Within international development circles, fairness arguments play a central justificatory role in the defense of competitive markets in international trade. An example is (p. 372) found in the preamble to the Constitution of the World Trade Organization, where the signatory nations declare an intention to enter into "reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade."[31]

The relevant notions of mutuality and reciprocity can be made clearer by comparing them to similar ideals common within philosophical discussions of the moral purposes of cooperative social arrangements.

John Rawls, for example, says that "social cooperation is always for mutual benefit . . . it involves . . . a shared notion of fair terms of cooperation, which each participant may reasonably be expected to accept, provided that everyone else likewise accepts them . . . all who cooperate must benefit or share in common benefits."[32] Rawls's mutual benefit requirement is intended to apply to a single society, not relations between nations. Moreover, the underlying ideal of reciprocity on his view is one that he calls "reciprocity in the deepest sense."[33] On this account of reciprocity, every citizen who participates in a domestic scheme of social cooperation would agree to accept it benefits only if the scheme maximally benefits the least advantaged participants.

The Rawlsian ideals of reciprocity and mutual benefit among citizens are very demanding, but the relevant ideals invoked in the international trade arena are much weaker. The global ideal of reciprocity does not require maximal benefit for the least advantaged. It merely holds out the promise of some benefit to all trading partners, and the demands of global reciprocity among trading nations merely requires something along the lines of what Ranier Forst suggests, "that none of the parties concerned may claim certain rights and privileges it denies to others."[34] In short, the prospect of mutual benefit for trading partners is the centerpiece of an ideal of fairness in global markets, and it is premised on global institutional arrangements that embody ideals of reciprocity that rule out the trade advantages for some nations unless they are extended to all nations.

Importantly, fairness arguments on behalf of participation in competitive global markets are not based on the premise that a reciprocating nation will necessarily fare better than it would under alternative trade arrangements. In fact, the central attraction of diametrically opposed mercantilist trade policies is that an individual nation's economic prospects might be improved by adopting a "beggar-thy-neighbor" approach, in which it takes advantage of other nations by denying reciprocal trade privileges and opportunities, thereby undermining the prospects for mutual benefit.[35]

Contemporary norms of market fairness, based on ideals of reciprocal advantage and mutual benefit are central to nineteenth-century Classical economic theory. Following Adam Smith, economists such as David Ricardo made the case for competitive global (p. 373) markets on the grounds of mutual (though not necessarily maximal or equal) benefit to every reciprocating nation. Classical arguments for free trade fell out of fashion in the early twentieth century, when sharp economic rivalries led to a resurgence of mercantilism and unapologetic economic nationalism, but they resurfaced in the later part of the century and dominate current debates regarding the moral merits of competitive global markets.[36]

Moreover, Classical theorists and their contemporary expositors supplement their free-trade arguments based on a mutuality of benefit and reciprocity of advantage. They also argue that competitive global markets are fair because of their tendency to produce widespread dispersion of social benefits within each participating nation.[37] The contemporary formulation of this line of argument for free trade based on widespread social benefit speaks to the co-equal moral importance of "inclusive growth," where the economic benefits of trade are said to filter through all segments of society.[38]

Critics raise objections to these ideals of market fairness on two distinct fronts. One objection is that market fundamentalists have an unwarranted faith in the ability of unfettered markets to produce mutually beneficial and socially beneficial outcomes. Their argument is that the conditions for such outcomes are not satisfied in crucial cases in which various market-based policies are proposed. A second criticism is that even under conditions that approximate perfectly competitive markets, markets often generate efficient outcomes that nonetheless should be judged as unfair for reasons not grounded in competitive market ideals.[39]

The first type of objection involves two disagreements regarding the operation of global markets. Market fundamentalists assume that global markets produce mutually beneficial and socially beneficial outcomes only when they are not hampered by significant *market failures*, and when they are not subject to significant *market distortions* by governments. Critics argue that market failures are more common than the fundamentalists assume, and moreover, without a significant “market-distorting” role for government, markets often fail to produce socially beneficial outcomes.

“Market failure” is the label used to describe how certain features of markets can be obstacles to competitiveness, and in turn, “fail” to produce outcomes that are efficient in the technical sense that economists are concerned with, but in addition, they also fail (p. 374) to be mutually and socially beneficial in ways that many economists cite as important moral grounds for valuing competitive markets. Types of market failures are numerous and diverse, but I will focus on two: concentration of market power and negative externalities.

The first example of market failure involves excessive concentration of market power. Markets fail to produce efficient outcomes whenever one or a very small number of economic actors are unilaterally able to affect the prices they receive or pay.

Monopolies are an example of asymmetric market power in the hands of a single seller of goods and services. A familiar US example is broadband service. Where Americans are at the mercy of their only local cable company, broadband is both slower and far more expensive than in other countries. Monopolies (and oligopolies to a lesser extent) have less incentive to invest in better equipment because doing so would reduce profitability. There is an issue of fairness at stake inasmuch as anti-competitive practices undermine the expected mutuality and the promise of overall social benefit. Not only the individual customer, but society in general, is made worse off by a system of communication that remains suboptimal only because it benefits the monopolist.

Monopsonies (and oligopsonies) also are examples of market failures based in asymmetric market power. But unlike in cases of monopoly (or oligopoly), the market power resides in the hands of one (or very few) purchasers of goods or services. For example, when an employer is the principal purchaser of low-wage labor in a particular job market, it can artificially drive down wages, not only for their own employees, but it lowers the prevailing wage for an entire labor market.

In sum, the main reason that excess concentration of market power in the hands of either buyers or sellers is unfair (and not merely inefficient) is that it allows those with asymmetric market power to capture for themselves the economic gains that would otherwise provide fair benefits to both buyers and sellers and reward more efficient, socially beneficial operations.

A second type of market failure arises in transactions that produce uncompensated negative externalities (i.e., costs imposed on parties “external” to the exchange). The strictly economic problem is that overall efficiency is undermined, in the sense that the true social cost of an activity fails to be reflected in the market price. But issues of fairness are at stake as well. The result is that other members of society bear the costs of the prosperity of the parties for whom a market exchange is mutually beneficial. Examples include environmental degradation and adverse health effects from industrial or agricultural pollution. In such cases, parties to the transaction can prosper by offloading their costs of doing business and the resultant health and environmental risks of their activities onto others.

Critics of market fundamentalist policies argue that market failures of both sorts are more prevalent and more serious than their proponents assume. The concentration of market power and the existence of serious negative externalities are key characteristics of global markets, including agricultural markets. If the critics are correct, the fairness norms of mutual benefit and social benefit are not realized by market fundamentalist policies in many instances. (p. 375)

Market fundamentalists and their critics also disagree about the distributive implications of various market distortions. “Market distortions” refer to the existence of non-market activities that allocate or influence the distribution of goods and services, resulting in outcomes that are at variance with outcomes that would have been produced solely by the operation of price mechanisms within competitive markets. Government policies, in particular, come in for sharp criticism from market fundamentalists.[40] Food subsidy programs, production subsidies for farmers, protective tariffs on competing imports, public provision of water at rates below market price, government provision of health or educational services, and economic safety nets are examples of non-market activities that “distort” the outcomes that price mechanisms would produce.

The basis of the market fundamentalist’s unfairness complaint typically rests on judgments regarding the unintended social consequences of otherwise well-meaning social welfare programs. For example, export tariffs designed to protect domestic agriculture may benefit some domestic farmers, but at the same time, they can deprive domestic consumers of access to food imports that would be cheaper without the tariffs. Also, production subsidies paid to farmers can raise the price that farmers receive for export commodities such as cotton, but they can steer farmers away from socially more beneficial activities, such as growing crops that prevent famine or local food insecurity.[41]

Numerous examples of how the widespread dispersion of social benefits is undermined have been cited as reasons for the elimination of well-meaning, market-distorting government interventions.[42] Hence, what is at stake is not merely a fetishistic attachment to an abstract ideal of economic efficiency, but the moral claim that non-market activities are often unfair because they undermine the market’s ability to achieve more socially beneficial outcomes.

While market fundamentalists believe that government intervention in the operation of markets generally distorts prices in ways that are unfair, the critics disagree. There is thus an empirical and historical disagreement over whether certain market-distorting government activities tend to undermine or promote the ideal of widespread diffusion of social benefits.

Beyond merely factual disagreements over whether the conditions of mutual and social benefit are satisfied by markets free of market failures and market distortion, the second line of objection challenges the adequacy of these two norms as an incomplete account of what market fairness demands. (p. 376)

For example, Joseph Stiglitz calls attention to the inadequacy of the social benefit norm. He observes that while markets might produce considerable social benefits for quite a few people "market processes may, by themselves, leave many people with too few resources to survive" and government, therefore, has an essential role "in ensuring social justice" for everyone affected by market organization.[43] In other words, even if a widespread dispersion of social benefit results, reliance on markets alone can create unfair pockets of deep disadvantage for some specific groups of people whose opportunities are so constrained that they are locked in to extremely low life prospects.

William Easterly, by contrast, focuses on the inadequacy of the mutual benefit norm. He says that even if voluntary exchanges make both parties better off, market transactions do not necessarily make both parties better off to the same degree. Because these inequalities of reward in systems of economic cooperation can have a variety of serious effects on the distribution of advantages, we can still raise questions about the fairness.[44] For example, successive iterations of wage bargaining may leave vulnerable employees better off than they would have been, thus ensuring mutuality of benefit, but over time, the more economically advantaged employers may extract wage and other concessions, thereby perpetuating a downward spiral of benefit for the least advantaged.

Stiglitz and Easterly thus identify issues best described as matters of unfair disadvantage, affecting either the bargaining parties themselves or parties who are external to a transaction. These disadvantages are unfair, even if market exchanges are not ones that should be judged unfair on grounds that they fail to be mutually beneficial or they create significant negative externalities instead of widespread social benefits.

The upshot is that the normative grounds for the discussion of agricultural policies and global development in the next four sections include questions of whether policies satisfy the two most basic, and generally agreed upon, norms of fairness (mutual benefit and social benefit) derived from the theory of competitive markets, and whether they run afoul of the two additional fairness norms pertaining to the distribution of disadvantage.

Trade, Aid, and Market Distortions

One of the United Nation's seventeen Sustainable Development Goals (SDGs) is to "end hunger, achieve food security and improved nutrition, and promote sustainable agriculture."[45] Each of the SDGs identifies targets by which attainment of its goal can be measured. One of the targets for agriculture speaks directly, though in quite general terms, to the problems of hunger and food security: "By 2030, end hunger and ensure access by (p. 377) all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round."

There is little disagreement on the importance of the hunger and food security target, but disputes regarding the appropriate means are at the center of current Doha Round of negotiations over the future of agricultural products under international trade rules codified in the multilateral trade agreements that are interpreted and enforced by the WTO.[46] A great deal of controversy surrounds another SDG target that embodies the market fundamentalist position: "Correct and prevent trade restrictions and distortions in world agricultural markets, including the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the Doha Development Round."

Since the implementation of the WTO in 1994, global agricultural trade has been treated differently from other goods and services. It has been governed by the temporary and jurisdictionally limited Agreement on Agriculture (AoA). The Doha Round, beginning in 2001 was established, in large part, in order to create permanent rules for full extension of the WTO's authority to review and regulate agricultural products and policies of member nations, but debates over permanent rules have proved politically intractable.[47] Fourteen years after the Doha Round began, the close of the 10th Ministerial Meeting in Nairobi, competing national interests and ideologies left many temporary rules in place, key deadlines postponed, and major disagreements unresolved.[48] At least rhetorically, the main sticking points reflect pervasive moral disagreement about the proper role of markets in agricultural policy.

On one side of the debate, a bloc of lesser developed nations, led by the Group of 33, which includes India and China, argued that reliance on market forces often conflicts with a variety of social welfare policies and practices, especially those intended to reduce hunger, malnutrition, and food insecurity. On the other side of the debate, a bloc of developed nations, including the United States, the European Union, Australia, and Canada, opposed demands of developing nations for latitude in deciding what government interventions are needed to protect farmers and consumers from the vicissitudes of global markets. Two ethically charged flashpoints were most prominent.

The first issue arose from the insistence by the Group of 33 that certain AoA protections for food security programs in developing nations be made permanent. The AoA exempts developing nations from requirements to reduce their agricultural subsidies, permitting "special and differential flexibilities," for example, allowing them to use (p. 378) various forms of price support to incentivize agricultural production and thereby maintain enough food for stockholding programs designed to ensure food security.

More specifically, a provision referred to as the "peace clause" ensures that other member nations cannot use the WTO adjudication procedures to challenge policies that developing nations defend as essential to their food security objectives. Bringing agricultural products within the full scope of WTO authority would expose such programs to the threat of being overridden by the WTO if they are determined to be unduly restrictive of global trade.

Exposure to WTO adjudication procedures is significant because the scope of WTO review is broad. It includes not only tariffs on imports, but domestic subsidies and other measures that have the “equivalent effect” on trade (the same lawyerly language found in the SDG target) of import tariffs on free trade. The upshot is that without such protections for agricultural products and policies, the WTO would extend its authority to review laws pertaining to environmental, health, safety, and other social welfare programs of member nations and determine whether they constitute non-tariff barriers to trade.[49]

The United States and other developed nations complained that within rapidly developing nations, such as China and India, the conditions that once might have justified differential treatment are no longer in place. Their primary demand was for the elimination of the peace clause so that member states can scrutinize and then challenge such policies that they believe unnecessary to advance legitimate food security goals.[50]

In addition, developed nations argued that some policies of developing nations perpetuate harm to their poorest citizens. Of particular concern are input subsidies. These are payments provided directly to farmers to purchase fuel, fertilizer, electricity, water, and seeds. The argument is that while such policies increase the profits of some poor farmers, they encourage the production of crops that are not in such short supply, that farmers do not need these incentives in order to ensure sufficient stocks for responding to famine or other food shortage emergencies, and that they promote commodity production in areas where water and electricity needed for running the deep well pumps are scarce.[51] In short, the developed nations bolster arguments based solely on their own national self-interest with objections to the market-distorting effects of food aid programs on grounds that they deprive the global poor of affordable food, water, and other scarce resources.

The second key point of ethical contention was the long-standing demand from the Group of 33 that developed nations eliminate their own state subsidies for domestic agricultural products and tariffs they impose on foreign food imports. Under the AoA, developed nations are allowed to retain the very protectionist agricultural policies that (p. 379) developing nations are often forced to abandon as a condition for obtaining IMF loans and gaining admission to the WTO.[52] Although the AoA has provisions that commit member nations to their eventual elimination, the pace of change has been slow, and critics point to the inherent unfairness of rules that retain these trade advantages for the developed nations while perpetuating serious disadvantage for developing nations.[53]

The unfairness of differential trade advantages built into the AoA is highlighted by the fact that roughly three-quarters of the protectionist policies retained by members of the Organization for Economic Cooperation and Development (OECD) are ones that the OECD itself concedes as among the most market-distorting policies.[54] In particular, the developed states preserved direct price support payments to farmers “coupled” to their level of production. The problem with coupled supports is that they create incentives to farmers in the developed states to produce more than the market demands, thereby artificially driving down global commodity prices.

Artificially lowered commodity prices have many adverse effects on the global poor. They deprive less developed countries of agricultural revenue they would have had were markets not distorted by trade policies designed for the benefit of farmers in affluent nations.[55] Moreover, the developed nations often dump their excess production in poor nations at prices below the cost of local production, further disadvantaging farmers in developing countries. Artificially created global surpluses, either sold or given away as part of food aid programs, thus undermine, rather than advance the goal of hunger relief and food security by destroying the ability of farmers in less developed nations to compete effectively.[56]

A consistent market fundamentalist position, of course, would recommend the elimination of protectionist policies for both developed and less developed countries.[57] However, if there is a case for differential treatment, current AoA policy gets matters backwards. Less developed nations have a stronger argument for protectionist policies because they confront a far graver threat of hunger and food insecurity than developed nations face.[58] (p. 380)

The 10th Ministerial meeting in December 2015 did little to alter the status quo. It closed with a declaration dubbed the “Nairobi Package.” It extended deadlines for developed nations to end their export subsidies from 2013 to 2018. It allowed developing nations to continue public stockpiling of food, retain their farm subsidies, and utilize treaty provisions known as the Special Safeguard Mechanism (SSM), which allows them to raise tariffs when faced with a surge of food imports. Even the commitment to free trade in agriculture was left in doubt as the meeting ended with representatives declining to “reaffirm” Doha’s mandate.[59]

In reality, no country seems inclined to follow the strict advice of the market fundamentalists with respect to agriculture. Virtually all national agricultural policies rest on the implicit assumption that food is morally special, and not merely another commodity among others. Some kinds of market support for farmers, defended as necessary in order to ensure adequate food supplies during periods of natural shortage or market volatility, along with some programs that provide direct food aid for the poor, are essential organizational features of nearly all national economies.

The Commodity Trap: Exceptions to the Comparative Advantage Argument

The production of export crops is one frequently recommended way of promoting rapid economic development in the world's poorest countries. Often, IMF loans to debtor nations struggling with repayment of foreign loans are conditioned on the adoption of detailed economic plans that include strategies for improving export-led growth, especially the production of agricultural commodities for export.[60]

The central argument in favor of a strategy of export-led growth, focused on particular commodities is the argument from comparative advantage. The assumption is that nations overall tend to realize greater economic gains when they produce goods for which they have a comparative advantage and forego production of goods that are more expensive for them to produce. The idea of comparative advantage is an old one. Adam Smith made the argument and it was developed and made famous in the nineteenth century by James Mill, John Stuart Mill, and David Ricardo.[61] When a country can make steel for comparatively less cost than it can make another product, it is more efficient to import the product that is comparatively more expensive to produce.[62] (p. 381)

A global system of trade based on the doctrine of comparative national advantage is often encouraged on the grounds that it is mutually advantageous. Everyone, it seems, benefits from productive specialization. Moreover, increasing the scale of export-led economic growth strategy seems to be a moral imperative for less developed nations that are home to a large number of the global poor because it offers immediate economic benefits. Basing international trade on what a country can produce at lower costs means that a country takes advantage of the resources and productive capacity it has on hand. What many less developed countries have on hand is a surplus of agricultural labor, economically unproductive land, and a plentiful supply of sunshine and water. What they lack is a skilled industrial workforce, industrial infrastructure capacity, and sources of capital sufficient to produce other exports in a comparably profitable way.

There are at least three other arguments for a targeted economic growth strategy that is focused on an increase of agricultural export commodities.

First, the focus on agriculture fits well with much available evidence regarding the best way to pursue pro-growth policies that are also pro-poor, or in other words, aimed at raising the incomes of the poor rural farmers. The evidence suggests that other things being, investment in rural agriculture produces more economic growth and it concentrates more of the benefits of growth among the rural poor than many other sectorial investment strategies.[63] Given that half the world's population living on less than a dollar a day are smallholder farmers, greater benefit for the rural poor can be among the most broadly socially beneficial development strategies available.[64]

Second, assuming that the problems of lack of capital and access to technological inputs—fertilizers, pesticides, machinery—can be overcome, farmers would be in position to benefit from increased access to global export markets that are generally more lucrative than domestic cash crop markets.[65]

Third, a salutary consequence of increased farm income is the multiplier effect it has on non-farm incomes in the local community.[66] Such investments not only have the potential to be mutually beneficial for farmers and global buyers (and for international trading partners) but socially beneficial.[67]

For all these reasons, there is a *pro tanto* case for a shift away from subsistence production to export commodity production and for a targeted approach to export-led growth (p. 382) by focusing on agricultural production of a few commodities for which a country has comparative advantage. However, as many economists have shown, there are morally significant exceptions that tend to be forgotten or ignored. Such policies can lead to a "commodity trap," a condition in which a country has few viable economic options but an economic development strategy that revolves around today's comparative advantage. The problem with this approach is that over time, it can lock in a variety of long-term disadvantages.[68] Five aspects of the commodity trap illustrate what is at stake.

First, while farmers in developing nations might experience an absolute, short-term economic gain, market participants who produce raw commodities, including agricultural commodities, operate at the least profitable link in the global value chain.[69] The overwhelmingly profitable position is at the bottom, or final phase of the value chain, where finished products are sold. Enterprises based in the developed nations reserve for themselves the profitable positions within global trade, while farmers within developing nations are consigned to the least profitable positions. Mutual benefit alone, as Stiglitz notes, falls short of a plausible norm of fairness whenever the low ceiling on the life prospects of some market actors enables other market actors to gain so much more.

Second, nations that concentrate on supplying raw commodities to developed nations tend to deindustrialize. Whatever diversified industrial base they had initially withers, resulting in the erosion of opportunities for more lucrative international trade.[70]

Third, a developing country's decision to focus on current comparative advantage can have morally problematic consequences for their most vulnerable citizens. While it is true that a country's Gross Domestic Product (GDP) may rise dramatically, and its ability to pay off foreign indebtedness may improve more rapidly, a temptation is for a country to exploit its comparative advantage through the production of goods that rely on an abundance of cheap labor, including slave labor or oppressively low-wage regimes, or through lax regulatory schemes that prevent environmental costs or health consequences from being captured in the market price.[71]

Fourth, the shift from a mix of subsistence agriculture and production for local consumption to export-based agricultural commodity production has cascading negative effects on consumers, especially the poor. Because the shift to more lucrative large export crops causes the prices of farmland go up, small holders are less able to afford land for the purposes of subsistence farming or production for local markets. The result is that the rural poor lose an important hedge they once had against economic hard times and food insecurity. Once local food production withers consumers must rely more on food imports. The problem, as we have seen, is that the global poor are highly vulnerable to global price shocks.

Fifth, a more general problem is that staking the lion's share of an economic development strategy on international trade can have profound redistributive effects within (p. 383) developing countries. For every dollar of increase in a developing country's GDP that is achieved through increased international trade, roughly $50 of income is transferred from the lowest economic strata to the middle and upper income strata. In addition, the same groups of people with the lowest skills tend to get hit hardest with each successive upward tick in GDP.[72] Much of the new wealth generated by global trade gets captured by existing economic elites, including the owners of large plantations.[73]

The point of this discussion of global commodity markets is not to deny that global trade should be a part of an economic growth and poverty reduction strategy for developing countries. However, for all of the reasons outlined in this section, the presumed benefits of focusing heavily on an agricultural commodity, export-based pathway to development and poverty relief, based on comparative advantage, should be viewed with some caution, both for the fate of developing nations generally and for the fate of their poorest citizens.

Contract Agriculture and the Concentration of Market Power

Many economists are committed to the model of export-led growth with a focus on the production of agricultural commodities, notwithstanding its ethically problematic consequences. However, they hope that something can be done to address the problem of access to global commodities markets historically available only to the large plantation owners.[74] The World Bank and USAID have been among the biggest supporters of the global extension of contract agriculture, pioneered in the United States, as a way to improve market access for small holders.[75]

An assessment of contract agriculture on a global scale, therefore, requires an examination of how it has evolved in the American context, in light of what the extensive literature on supply-chain management, microeconomics, and economic sociology reveals about the underlying incentive structure that is not specific to the United States.

In the late twentieth century, a revolution occurred in the way agricultural supply chains were structured in the United States. Many of the major agricultural commodities in the United States, other than perishables, are sold under exclusive production contracts, (p. 384) which are entered into between farmers and purchasing agents who typically negotiate on behalf of large commercial agricultural processors. Although production contracts differ, a key feature is the oversight and control exercised by the buyer during the production stage. Crops and animals grown under contract are raised according to the buyer's specification, often including the choice of seeds, fertilizers, and other production inputs.

In the case of broiler chickens, even the chicks and feed are supplied by purchasers to growers who own the production facility. The producers contract directly for farm labor, and they bear the risk of harvest failures and local regulatory compliance.[76] Even when producers have made substantial investment in industry-specific equipment and facilities that conform to buyer standards, such contracts are subject to contingent renewal at the discretion of the buyer.

Between 1969 and 2003, the percentage of US agricultural products produced under contract increased from 11% to 39%.[77] As a result, agricultural markets in the United States have been transformed. Traditional spot markets are in steep decline. Spot markets are made up of numerous competing buyers and sellers who enter into commodity sales transactions "on the spot" with no rights to the oversight of production or expectation for interaction beyond each discrete transaction.[78]

Another critically important aspect of the market transformation is the proliferation of global grocery retailers and fast-food chains that are now the main global purchasers. There are, of course, obvious textbook reasons for expanded scale of the purchasing entities. Increased efficiencies of scale make possible cheaper bulk purchases and lower procurement and transportation costs.[79] However, because the biggest buyers operate worldwide enterprises, they need to buy in bulk, restrain and stabilize commodity prices, and thereby ensure a reliable supply of standardized agricultural products that will be used in food sold under global retail brand names.[80]

A standard worry about the potential anti-competitive consequences of market concentration among a declining pool of large buyers is the adverse social impact of rising consumer prices. However, thus far, the evidence does not point in that direction.[81] The main consequences of the massive increase in scale among a smaller number of commodity purchasers fall upon farmers and farm communities. The primary effect on farmers is either outright market exclusion or steadily declining economic rewards. Market exclusion is a consequence of the fact that large purchasers have few economic incentives to buy from small producers. It is far more expensive to negotiate many production contracts, monitor performance standards at multiple production (p. 385) sites, and secure delivery from many small producers than from a small number of large producers.[82]

The concentration of market power in the hands of a few large buyers means that small farmers are effectively excluded from most of the major commodity markets. This result was not unexpected when antitrust law enforcement began to wither in the United States. As US Agriculture Secretary Earl Butz advised in 1976, "get big or get out."[83] The contract production model has in fact entrenched the importance of large-scale production. Many US farmers have either gotten out or gotten big enough to deliver commodities in sufficient volume to make it worthwhile for the large buyers to enter into purchasing agreements.

Even getting big is not always adequate protection against the adverse impact of asymmetric market power exercised by a declining pool of buyers. The market power of national oligopsonies and regional monosoponies has enabled buyers to dictate prices to farmers, driving down the economic return for commodities, sometimes below the costs of production.[84] For some products, paradigmatically the broiler industry, the impact is dramatic. Many US poultry growers are in debt over a million dollars, but they have net annual incomes only slightly above the poverty level.[85]

In some regions of the United States where contract production practices have become the norm, local economies have been transformed in numerous ways that extend beyond the adverse effects on farmers. Food processors tend to locate regional hubs or clusters of contractual relationships in areas where there are weak unions, a surplus of flexible labor, low prevailing wages, and weak labor and environmental laws.[86] These hubs have an adverse effect on the local labor pool. Contract farmers replace whatever stable, formal employment relations that once existed with informal labor patterns, characterized by a loss of regular hours, benefits, and worker security.[87] In addition, the high concentration of unabated environmental degradation, due to runoff of fertilizer and animal waste, pollutes the air, water, and soil. These are the predictable systematic effects of the geographic concentration of such facilities.[88]

Because many of the main market dynamics that have driven the transformation of American agriculture are at work globally, there are strong presumptive reasons to expect the global model to resemble the development of the US model simply because the incentives at work in the United States are in place globally. The purchasing imperatives of giant global buyers generates a need to look for commodities from anywhere (p. 386) they can be grown at lower costs, whether it is the southern United States or South Sudan.[89] Among the main cost-saving benefits of global sourcing are the reduction of transaction costs associated with environmental, safety, and labor regulations in countries where governmental regulation is lax.[90] Also, given both the higher costs of operation in many parts of the developed countries, along with the rapid degradation of land and water in many of those countries, there are added incentives to expand their agricultural footprint into the less developed world.

Global supply-chain management sometimes takes a different form. Another model of a vertically integrated enterprise is found among food-processing companies that own every aspect of the supply chain, from seed to shelf, as the saying goes.[91] However, for most agricultural commodities, that business model has been largely replaced for a variety of reasons. The growing cycle is the least financially rewarding stage of the food production and processing chain, and it involves the most risk due to uncertainties in weather, rapid devaluation of soil and other production assets, changes in the regulatory climate, and costs of a long-term commitment to a fixed workforce pool.[92] Contingent contract production avoids the drawbacks of ownership of the means of production and the financial commitment to a network of permanent employment arrangements and production facilities that ownership requires.

Indeed, agribusiness learned some of its main lessons from other industrial approaches to global supply-chain management. The underlying business model of contract agriculture is in fact merely a part of a larger global transformation of the way in which global supply chains for the production of a wide range of consumer goods is organized and controlled. The contract model, perhaps best known to many as a business model developed most extensively within the garment industry, represents a dramatic retreat from the traditional industrial production model based on ownership of the means of production and a system of formal labor contracts with a regularized pool of employees.[93] It pioneered "just-in-time-delivery schedules," contracting with small fabricators around the world for standardized production on an as-needed basis.[94] Large-scale and long-term investments are no longer required at the riskiest point of the supply chain. The contract production model therefore shifts the various risks associated with long-term financial commitments from the large-scale retailers of finished products to the local contractors.

The same business model has become firmly rooted in contract agriculture, where the production risks include not only losses due to weather but also the loss of goods due to transportation disruptions, the continuing and uncertain costs of compliance (p. 387) with health and environmental regulations, and the ongoing burden of sustained employment relationships.[95] If one geographic locality or political jurisdiction becomes inhospitable, there are fewer financial impediments to the relocation of their sourcing arrangements.

Given the US experience, as well as the incentive structure inherent to the business model, critics have a reasonable concern that deeper global penetration of the contract model will not provide the clear benefits imagined for the poorest citizens of the developing nations. Their worries are compounded by the fact that the concentration of market power in the hands of fewer buyers within the United States, each operating on a massive scale, and exerting more market power over smaller, economically less powerful commodity producers is now replicated on a global scale.[96]

Indeed, the widely touted, widespread benefits of contract agriculture as a way of integrating developing nations into global agricultural supply chains has not materialized. According to some of the best evidence available, contractually organized global supply chains are dominated by a few large transnational buyers, and it has resulted in farmers in developing nations getting a small and declining fraction of the international price of the commodities they produce.[97] Various case studies, however, do show some economic improvement for poor, small farmers under very specific local conditions.[98] The main circumstances that provide reasons for optimism are ones in which coalitions of small farmers have developed some countervailing market clout.[99]

However, the issues of fairness that loom large in the use of the contact model in the United States are present in developing countries. The contract producers remain stuck at the least rewarding position of the value chain, assume indebtedness with little ability to negotiate a more equitable distribution of market risk, and they lack the security of a long-term contractual relationship.[100] Large buyers everywhere have the same strong incentives to exclude the smallest producers, and even for farmers who get big enough to avoid outright market exclusion, there are often so few buyers in most regional markets that the commodity producers have few viable economic alternatives and little bargaining power.[101]

Equally important is the fact that contract agriculture has the demonstrated potential to transform whole communities in ways that are detrimental to wages and working conditions of the poor and harmful to their environment. It remains to be seen whether (p. 388) the business model developed in the United States, and now extended globally, can be adjusted so that contract agriculture can be mutually beneficial for both buyer and seller, as well as socially beneficial.[102]

The Global Land Grab: Negative Externalities and the Natural Resource Curse

Market fundamentalists support foreign direct investment in large-scale agricultural production facilities as a way of enhancing economic growth, by providing less developed nations with needed capital and technology and by creating employment opportunities.[103] However, critics argue that we are witnessing a “global land grab”—a pattern of resource acquisition that threatens the long-term food security of the global poor and makes more fragile the land tenure of many of the world’s most vulnerable people.[104] Indeed, nations and private corporations are pursuing land and water resources globally, especially in developing countries where land is extremely cheap by developed nation standards and governance is weak.[105]

Especially attractive to foreign investors is land that either can be purchased at very low prices in the developing world or leased for a term of years. Both options offer the prospect of substantial economic gains without having to make significant long-term financial commitments to the economic well-being and environmental quality of the communities in which they operate. Moreover, it is not clear how beneficial such arrangements are for the host countries. Studies of the prevailing modes of purchase and leasing arrangements show that often these agreements are entered into by governments for little or no direct economic remuneration, offering little beyond the vague and unenforceable promise of overall increase in GDP.[106]

The geographic scale and overall impact of the global land grab is an evolving and empirically controversial story.[107] However, there is a vast body of experience that (p. 389) suggests that the well-documented risks from traditional extractive resource industries, such as oil production and mining, is mirrored in the patterns of foreign investment in agricultural land.[108] The portfolio of social and economic problems arising from these extractive industries is known as the "natural resource curse."[109] In some quarters, we are beginning to see a similar range of adverse effects produced by the large-scale foreign investment in agricultural facilities.[110]

The documented risk of the traditional examples of the natural resource curses is that foreign investors, who are not necessarily present for the long term, will extract profits, deplete resources, produce goods for the global affluent, invest little that will improve the local economy or relieve poverty, leave behind environmental degradation, convert small holders to low-wage transient workers, and dispossess many traditional landholders.[111] All of these problems are replicated in foreign investment in large-scale agricultural operations in developing nations.[112]

The presence of vast natural resources in poor nations, whether it is oil or soil, has led economists and astute observers of international politics and trade to ask why they often fare worse economically than other poor nations. While the primary cause (assuming that there is one) is a matter of ongoing debate among social scientists, the pattern of activities that contribute to the outcomes just described is clear. The presence of rich stores of natural resources in poor countries, having few other immediate economic opportunities, invites exploitation from the outside, enables autocratic leaders and their cronies to finance their own lifestyles, and funds the build-up of arms and infrastructure that allows them to remain in power through repression and elaborate systems of bribery and patronage.[113]

Indeed, one of the most devastating effects of state-sponsored foreign direct investment in extractive industries of any sort is the dispossession of the rural poor from traditional ancestral lands or public lands acquired by the state at the end of the colonial era. While such lands are used for private purposes the occupants in many countries have no legal title. The United Nations estimates that 4 billion people worldwide live (p. 390) outside the protection of basic rules of law that establish rights to property and provide remedies for dispute resolution.[114] Land that is in theory held in common for the use of the citizens of a country is easily expropriated by the state and made available either to local elites or foreign business interests who, in turn, pay the state for mining rights or for rights to establish large agricultural enterprises. The lack of any publicly known, regularly enforced, and transferable system of property rights virtually guarantees that the rural poor remain poor and powerless, leaving them at the mercy of ruling political elites and foreign businesses.[115]

Moreover, a cascade of further redistributive effects often accompanies foreign investment in extractive industries. GDP often goes up, just as proponents of greater foreign direct investment in developing economies predict. GDP, however, as we have seen, can be a poor proxy for how well nations overall or segments of their populations are faring. For example, GDP can go up even if most of the wealth leaves the country, leaving GNP (gross national product)—the amount of money that stays within the nation—unimproved. In fact, much of the wealth that is created by extractive industries is not produced from the domestic sale of raw materials such as minerals, oil or gas, or agricultural commodities. Most of the market value is captured abroad in the manufacture and fabrication of commercially tradable finished goods sold by the global affluent to the global affluent.[116]

To make matters worse, much of the newly created wealth that does remain in the country is not invested for the sake of improving the well-being of future generations or distributed for the benefit of the current generation of the poor. Projects that initially enhance a country's GDP leave behind environmental degradation from extractive industries, environmentally mediated deprivation of health, and unsustainable economies that are too narrowly based on nonrenewable resources with little thought to the needs of the future.[117] In some of the worst cases, it leaves behind soil degradation and groundwater depletion that undermines long-term agricultural productivity necessary to meet the future food needs of the country.[118] Because GDP measures only aggregate economic output of current transactions, gains in GDP fail to register these long-term costs imposed on others. But in the nearer term, political cronies, corrupt government officials, and the rising urban middle classes capture most of the economic gains from foreign direct investment in extractive industries.[119] **(p. 391)**

Even members of the middle classes of developing nations are disadvantaged, a phenomenon known as the Dutch Disease. The global sale of natural resources and raw commodities strengthens a developing nation's currency, which in turn, makes other exports more expensive for international buyers and thus less competitive on the world market.[120] Thus, even if some sectors of the economy benefit from these sales, many other sectors are deeply disadvantaged.

Corrupt governments and multinational corporations are not the only actors implicated in problematic examples of foreign direct investment. Nongovernmental organizations operating in developing countries argue that the problems created by traditional extractive industries or the global land grab are aggravated by policies and programs of the World Bank. They claim that socially irresponsible companies have been given the tools that help them press for governmental concessions that harm the poor. Since 2003 the World Bank has maintained a registry known as the *Doing Business Report*. It ranks 189 countries based on the ease of doing business. In 2014, the Bank claimed to have inspired over a quarter of the 2,100 reforms registered since its creation. However, the "reforms" intended to improve the "ease of doing business" typically involve lower labor and environmental standards, reduction in the taxation of corporations, diminished business contribution to social security funds, and easier and cheaper transfers of public lands.[121]

A coalition of 260 human rights groups, trade unions, and civil society groups recently urged the Bank to eliminate the Doing Business registry, but at the insistence of the wealthy G-8 countries, the Bank instead instituted a similar registry for global agricultural land investment, known as “Enabling the Business of Agriculture.”[122]

Some international development institutions and aid agencies that encourage global land acquisition acknowledge the existence and seriousness of the concerns cited in this section, but they argue that the risks can be managed as long as voluntary guidelines are met.[123] Critics, however, argue that the illusion of self-regulation simply makes matters worse by accelerating the acquisition process, with no effective accountability, and thus, offering no convincing reason to believe that the world’s most vulnerable people will be protected or empowered to protect themselves.[124]

By contrast, there is a strong case for an alternative developmental approach that has the acceleration of land reform and the extension of the rule of law as its centerpiece. This alternative approach puts more land in the hands of small holders, under conditions that establish clear legal ownership rights, and prevents government complicity with foreign investors that ultimately leads to the dispossession of many current residents whose claims are not legally protected.[125] (p. 392)

Moreover, the promotion of direct foreign investment in agricultural land as a vehicle for increasing domestic food security is in tension with the primary reason cited for adopting contract production as a vehicle for expanding market access for small farmers. It overlooks the fact that access to cheap land gives multinational corporations new incentives to establish their own supply chains and bypass small local farmers altogether, as long as there is keen competition among lesser developed countries for foreign investment and pressure by the World Bank for wholesale deregulation.[126]

Also, the argument for large-scale foreign production facilities as a vehicle for technology transfer necessary to improve local food security is at odds with a central premise behind the push for export commodity production. Foreign investors have little incentive to produce crops for local consumption for the very same reasons that market fundamentalists cite when they promote export crop production. Domestic consumption markets are far less lucrative than export crops, and the evidence thus far suggests that foreign investors are not in the business of producing food for local consumption.[127]

Given these economic realities, foreign investors might help feed the world, but there is scant evidence of significant incentive to feed those who occupy the small corners of the world where they are doing business, or incentive to establish mutually beneficial contractual arrangements over a long time horizon. Large-scale global investment in agricultural land, like the emphasis on commodity exports and the contract production model, is a good deal for the global affluent, especially when trade rules confer added advantages upon them at the expense of less developed nations. For the global poor, the benefits are speculative and the disadvantages are demonstrable.

In sum, there are compelling reasons to ask why any of the three agricultural policies widely promoted by the developed nations and global development institutions should be seen as a good bet for the global poor, given the existence of an obvious alternative. The alternative would empower the poor by providing them with legal ownership rights that cannot be overridden by authoritarian governments and create legal protections of land and water from devastation by those who have little long-term stake in environmentally sustainable and socially beneficial enterprises.[128] A land reform approach, together with overall development policies that favor economic diversification, offers the global poor a chance to participate in global trade on reciprocal and mutually beneficial terms, instead of leaving them subordinated to economically powerful foreign interests that also shape the trade rules governing global markets.

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Notes:

([1]) FAO, *State of Food Insecurity in the World 2009*; Godfray et al., “Food Security: The Challenge of Feeding 9 Billion People”; and Government Office for Science, “Foresight, 2011: The Future of Food and Farming.”

([2]) Singer, *One World*, ch. 2.

([3]) Moyo, *Dead Aid: Why Aid Is Not Working*.

([4]) World Bank, “World Development Report 2008: Agriculture for Development.”

([5]) Soros, *On Globalization*. The phrase has been popularized by George Soros. In the third section, I discuss how prominent developmental economists typically understand the tenets of market fundamentalism.

([6]) Tracey, *Agriculture in Western Europe*.

([7]) Thompson, “The Moral Economy of the English Crowd in the 18th Century.”

([8]) Mittermaier, “Bread, Freedom, Social Justice.”

([9]) OECD-FAO, “Agricultural Outlook 2015”; and Office of the Director of National Intelligence, “Intelligence Community Assessment: Global Food Security.”

([10]) Royal Society of London, *Reaping the Benefits: Science and the Sustainable Intensification of Global*; OECD, “Global Food Security: Challenges for the Food and Agricultural System”; and Tomlinson, “Doubling Food Production to Feed the 9 Billion.” Tomlinson offers a skeptical look at typical estimates of future production requirements.

([11]) UN, “World Population Prospects: The 2015 Revision.”

([12]) Keats and Wiggins, “Future Diets: Implications for Agriculture and Food Prices.”

([13]) Clay, “Freeze the Footprint of Food,” 287.

([14]) Pimentel, "Soil Erosion: A Food and Environmental Threat"; and FAO, "The Status of the World's Soil Resources."

([15]) Pimentel, "Soil Erosion: A Food and Environmental Threat."

([16]) Stokstad, "Could Less Meat Mean More Food?"; and HLPE, "Biofuels and Food Security."

([17]) Committee on World Food Security, "Coming to Terms with Terminology." The FAO definition of food security is widely cited: "Food security exists when all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life."

([18]) World Bank, "World Development Report 2008: Agriculture for Development"; Keats and Wiggins, "Future Diets: Implications for Agriculture and Food Prices"; and Chastre et al., "The Minimum Cost of a Healthy Diet."

([19]) Joint Monitoring Programme, World Health Organization, UNICEF, "Progress on Drinking Water and Sanitation."

([20]) World Bank, "Human Development Report 2006: Equity and Development"; and Margat and Van der Gun, *Groundwater around the World—A Geographic Synopsis*.

([21]) Glesson et al., "Water Balance of Global Aquifers Revealed by Groundwater Footprint."

([22]) FAO, "Aquastat."

([23]) World Bank, "World Development Report 2008: Agriculture for Development."

([24]) Stiglitz, *Globalization and Its Discontents*, 14, 53, 61–72, 180–181.

([25]) Busch, "Governance in the Age of Global Markets." Rougier made this point in 1938 at the Colloque Walter Lippmann, held in Paris, Centre International d'Etudes pour la Rénovation du Libéralisme.

([26]) Williamson, "What Should the World Bank Think about the Washington Consensus?"

([27]) Easterly, *The White Man's Burden*, 77–94; Rodrik, *The Globalization Paradox*, 3–23, 159–183; and Stiglitz, *Globalization and Its Discontents*, xii, 35–36, 53–88, 259. My summary of key tenets of market fundamentalism in this essay draws primarily on discussions by these authors. A variant of the fundamentalist label is "trade fundamentalism."

([28]) Stiglitz, "Biographical Essay, The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2001." Stiglitz used the term in his acceptance essay for the Nobel Memorial Prize in Economic Sciences to criticize a bundle of global development policies that are based on an incorrect understanding of economic theory and an inadequate interpretation of the historical empirical data.

([29]) Rodrik, *The Globalization Paradox*, xx, 65–66, 165–170. Rodrik points to this third factor as part of the explanation for the persistence of market fundamentalist policies in the face of an accumulation of countervailing evidence.

([30]) Fairness norms, of course, are not the only moral considerations relevant to the appraisal of markets. Within the United States, markets are often defended on the basis of their instrumental contribution to individual liberty insofar as they expand opportunities for the exercise of individual choice. Nozick, *Anarchy, State and Utopia*. Another instrumental argument for perfectly competitive markets rests on the assumption that they have a strong tendency to produce Pareto efficient outcomes. A Pareto improvement occurs whenever a transaction makes at least one person better off and no is made one worse off. For some economists, Pareto efficiency is the essence of market fairness and that any objection to a Pareto improvement must be based on envy. Varian, “Equity, Envy, and Efficiency”; and Mishan, *Cost-Benefit Analysis*, 162. Neither of these instrumental moral arguments plays a significant justificatory role in discussions of international trade.

([31]) WTO, “Preamble to the Marrakesh Agreement Establishing the World Trade Organization.”

([32]) Rawls, *Political Liberalism*, 300.

([33]) Rawls, *Justice as Fairness: A Restatement*, 122–138.

([34]) Forst, “Towards a Critical Theory of Transnational Justice,” 177.

([35]) Rodrik, *The Globalization Paradox*, 24–66.

([36]) Ibid., 3–46. Rodrik traces the rise and fall (and eventual rebirth) of the influence of Classical economic thought on international trade policies.

([37]) Satz, *Why Some Things Should Not Be for Sale*, 17–49. Satz offers a lucid account of some differences between the moral foundations of Neoclassical and Classical economic arguments, including Classical arguments that emphasize the social dispersion of benefits within competitive markets, especially within labor markets.

([38]) World Bank, “Globalization, Growth, and Poverty.”

([39]) Stiglitz, “The Pact with the Devil.” Stiglitz points to both strands of the criticism in the following remarks made in a recent interview: “The theories that I (and others) helped develop explained why unfettered markets often not only do not lead to social justice, but do not even produce efficient outcomes.”

([40]) Krueger, “Government Failures in Development.” Market distortions that produce outcomes at variance with outcomes produced solely by price mechanisms are often referred to as government failures. I use the more inclusive label because, in principle, non-market activities that can distort distributions include activities by private charities as well as governments.

([41]) Pinstrup-Anderson and Watson, *Food Policy for Developing Countries*, 41, 198.

([42]) Krueger, “The Political Economy of a Rent-Seeking Society.” Another unintended consequence argument focuses on rent-seeking behavior. Private sector producers (e.g., farmers who produce goods for foreign aid or domestic food supplements) lobby for legislative guarantees of profits above fair market value (rents), claiming that such prices are necessary to ensure a steady supply of goods and avoid program gaps.

([43]) Stiglitz, *Globalization and Its Discontents*, 218.

([44]) Easterly, *The White Man’s Burden*, 75.

([45]) UN, “Towards a Sustainable Development Agenda.”

([46]) The enforceable agreements include the General Agreement of Trade and Tariffs (GATT), the General Agreement of Trade and Services (GATS), and the Agreement on Trade-Related Intellectual Property Rights (TRIPS).

([47]) FAO, “The Implications of the Uruguay Round Agreement on Agriculture for Developing Countries.”

([48]) Donnan, “Trade Talks Lead to ‘Death of Doha and Birth of New WTO’ ”; and Watkins, “What Next for Poor Countries Fighting to Trade in an Unfair World?”

([49]) In addition, the WTO review authority even extends to goods and services are produced and consumed exclusively within a single country, and its rulings are binding on every member country.

([50]) Suneja, “India Opposes US Proposal to Dismantle Price Support and Subsidies in World Trade Organization.”

([51]) Kanth, “Proposal on Low-Income Farmers Faces Opposition at WTO.”

([52]) Stiglitz, *Globalization and Its Discontents*, 61–101; Moellendorf, “The World Trade Organization and Egalitarian Justice,” 148–149.

([53]) Oxfam, “Trade Report: Rigged Rules and Double Standards”; ICTSD, “Towards New Rules for Agricultural Markets?”; and Singer, *One World*, ch. 3.

([54]) Tangermann, “Farming Support: The Truth behind the Numbers.”

([55]) Thompson, *The Ethics of Aid and Trade*.

([56]) UNCTAD, "Trade and Development Report, 1999"; Oxfam, "A Recipe for Disaster." The UN estimate for one extended period in the 1990s is that the loss is as much as four times greater than capital inflow from trade liberalization. Oxfam offers estimates of the impact of surplus production on the depression of global prices that the poor receive for their agricultural exports, as a result of dumping. See also Potter, "Agricultural Subsidies Remain a Staple in the Industrial World."

([57]) Mill, "Of the Laws of Interchange between Nations," 31–32. The unfairness of non-reciprocal trade arrangements is a staple argument of Classical economists, including Mill: "Until, by common consent of nations, all restrictions are done away with, a nation cannot be required to abolish those from which she derives a real advantage, without stipulating for an equivalent."

([58]) Anderson and Martin, "Agricultural Trade Reform and the Doha Development Agenda."

([59]) See note 48.

([60]) Easterly, *The White Man's Burden*, 65–72, 144–147, 213–215, 228–235. Easterly provides a number of important details regarding the history, contractual terms, implementation processes, and economic consequences of loan conditionality arrangements.

([61]) Ricardo, *The Principles of Political Economy and Taxation*, ch. 7.

([62]) Mill, *Elements of Political Economy*. Comparative advantage is not absolute advantage. Absolute advantage is the ability to produce a greater quantity of a product (or service) than competitors, using the same amount of resources. A country may have no absolute advantage over others in producing anything. However, a country pursuing its comparative advantage will produce and export more of what it can produce a relatively low (opportunity) cost and produce less of what it can import at less than the cost of domestic production.

([63]) World Bank, "World Development Report 2008: Agriculture for Development." The World Bank cites estimates that increases in GDP based on growth of agricultural production increases the incomes of the poor by as much as two to three times as growth in production within the non-agricultural sectors of the economy. Cf. ILO, "World Employment Report 2004‒05: Employment, Productivity, and Poverty Reduction."

([64]) Lipton, "The Family Farm in a Globalizing World."

([65]) World Bank, "World Development Report 2008: Agriculture for Development."

([66]) Pinstrup-Anderson and Watson, *Food Policy for Developing Countries*, 178–179.

([67]) ILO, "World Employment Report, 2004‒2005: Employment, Productivity, and Poverty Reduction."

([68]) Rodrik, *The Globalization Paradox*, 156.

([69]) Gereffi, “The Organization of Buyer-Driven Global Commodity Chains,” 95–122.

([70]) Devarajan and Rodrik, “Trade Liberalization in Developing Countries,” 283–287.

([71]) Rodrik, *The Globalization Paradox*, 50–55.

([72]) Ibid., 55–61.

([73]) Ibid., 139–142.

([74]) Kumar and Kumar, “Contract Farming: Problems, Prospects and its Effect on Income and Employment”; NPAD, “Contract Farming Offers Fresh Hope for Africa’s Declining Agriculture”; and UNCTAD, “World Investment Report 2009 on Transnational Corporations, Agricultural Production and Development.”

([75]) World Bank, “World Development Report 2008: Agriculture for Development”; and Anseeuw and Boche, “Contract Farming: Why? What? How?”

([76]) Gereffi, “The Global Economy: Organization, Governance, and Development.”

([77]) MacDonald and Korb, “Agricultural Contracting Update: Contracts in 2008.”

([78]) Sporleder and Boland, “Exclusivity of Agrifood Supply Chains: Seven Fundamental Economic Characteristics.”

([79]) Sporleder and Peterson, “Intellectual Capital, Learning, and Knowledge Management in Agrifood Supply Chains.”

([80]) Martinez and Davis, “Farm Business Practices Coordinate Production with Consumer Preferences.”

([81]) US GAO, “Concentration in Agriculture.”

([82]) Sporleder and Boland, “Exclusivity of Agrifood Supply Chains: Seven Fundamental Economic Characteristics”; and Martinez and Davis, “Farm Business Practices Coordinate Production with Consumer Preferences.”

([83]) Carlson, “Obituary: Earl Butz.”

([84]) Taylor, “The Many Faces of Power in the Food System.”

([85]) Taylor and Domina, “Restoring Economic Health to Contract Poultry Production.”

([86]) Constance, “The Southern Model of Broiler Production and Its Global Implications.”

([87]) Ibid.

([88]) Burmeister, "Lagoons, Litter and the Law: CAFO Regulation as Social Risk Politics"; and Pew Environment Group, "Big Chicken: Pollution and Industrial Poultry Production in America."

([89]) Gereffi, "The Organization of Buyer-Driven Global Commodity Chains."

([90]) Constance, "The Southern Model of Broiler Production and Its Global Implications."

([91]) Sporleder and Boland, "Exclusivity of Agrifood Supply Chains: Seven Fundamental Economic Characteristics."

([92]) De Backer and Miroudot, "Mapping Global Value Chains"; and Wever et al., "Supply Chain-Wide Consequences of Transaction Risks and Their Contractual Solutions."

([93]) Gereffi, "The Global Economy: Organization, Governance, and Development."

([94]) Boyd and Watts, "Agro-Industrial Just-in-Time: The Chicken Industry and Postwar Capitalism."

([95]) Marsden, Flynn, and Harrison, "Retailing, Regulation, and Food Consumption: The Public Interest in a Privatized World?"

([96]) Cotterill, "Continuing Concentration in Food Industries Globally"; Sexton, "Grocery Retailers' Dominant Role in Evolving World Food Markets."

([97]) Prowse, "Contract Farming in Developing Countries."

([98]) Ibid.

([99]) Agarwal, "Food Sovereignty, Food Security and Democratic Choice: Critical Contradictions, Difficult Conciliations."

([100]) De Shutter, "The Right to Food: Note by the Secretary-General, A66/262."

([101]) Gereffi and Lee, "A Global Value Chain Approach to Food Safety and Quality Standards"; and De Backer and Miroudot, "Mapping Global Value Chains."

([102]) NPAD, "Contract Farming Offers Fresh Hope for Africa's Declining Agriculture." Even a cautiously optimistic assessment of the prospects for contract farming in Africa offers a list of problems that mirror those in the United States: market exclusion of small farmers; declining payments for commodities due to bargaining differentials; and the shifting of risks of harvest failure and commodity market volatility.

([103]) World Bank, "Protecting Land Rights Is Key to Large-Scale Land Acquisitions."

([104]) Klare, *The Race for What's Left*, 183–208; Kugelman and Levenstein, *The Global Farms Race*; and Pearce, *The Land Grabbers*.

([105]) Center for Human Rights and Global Justice, “Foreign Land Deals and Human Rights.”

([106]) GRAIN, http://farmlandgrab.org/. This website hosts a massive databank of contract documents and details regarding acquisition.

([107]) World Bank, “Protecting Land Rights Is Key to Large-Scale Land Acquisitions.” The 2010 World Bank study found that the annual acquisitions in 2008 were around 10 million acres, but the estimate for the first eleven months of 2009 jumped to 110 million. See Buckner, “The Myth of the African Land Grab.” Estimates of the global scale of foreign investment in large-scale agricultural projects in developing nations vary for a number of reasons. Market conditions change quickly; some deals turn sour; some estimates involve double-counting from assimilated news reports; and most transactions lack public transparency.

([108]) GRAIN, “Responsible Farmland Investing? Current Efforts to Regulate Land Grabs Will Make Things Worse.”

([109]) Collier, *The Plundered Planet*.

([110]) Human Rights Watch, “Waiting Here for Death.”

([111]) Collier, *The Plundered Planet*; Humphreys, Sachs, and Stieglitz, *Escaping the Resource*; and World Watch Institute, “The Hidden Shame of the Global Industrial Economy.”

([112]) See, e.g., De Shutter, “How Not to Think of Land-Grabbing”; Schiffman, “Hunger, Food Security, and the African Land Grab”; Robertson and Pinstrup-Anderson, “Global Land Acquisition: Neo-Colonialism or Development Opportunity”; Human Rights Watch, “Waiting Here for Death”; and Center for Human Rights and Global Justice, “Foreign Land Deals and Human Rights.”

([113]) Collier, *The Plundered Planet*; Stiglitz, *Globalization and Its Discontents*, 132–159; and Wenar, “Property Rights and the Resource Curse.”

([114]) United Nations, “Making the Law Work for Everyone.”

([115]) Robertson and Pinstrup-Anderson, “Global Land Acquisition: Neo-Colonialism or Development Opportunity,” 275–276; and World Watch Institute, “The Hidden Shame of the Global Industrial Economy.”

([116]) Rodrik, *The Globalization Paradox*.

([117]) Stiglitz, Fitouss, and Sen, *Mismeasuring Our Lives*.

([118]) World Bank, “World Development Report 2008: Agriculture for Development.” The World Bank notes that the industrial cultivation of export crops in many less developed regions of the world has damaged soil and water quality so much that a third of the productivity gains have been lost. See also FAO, "World Agriculture: Towards 2030/2050." The FAO estimates that of new agricultural land created by forest clearing in the tropics 30%–50% of the soil quality is exhausted in three years.

(119) Rodrik, *The Globalization Paradox*.

(120) *The Economist*, "What the Dutch Disease Is, and Why It's Bad."

(121) Lau, "The World Bank's Doing Business Rankings."

(122) GRAIN, "The G8 and Land Grabs in Africa."

(123) FAO, IFAD, UNCTAD, and the World Bank Group, "Principles for Responsible Agricultural Investment."

(124) GRAIN, "Responsible Farmland Investing? Current Efforts to Regulate Land Grabs Will Make Things Worse."

(125) Knight et al., "Protecting Community Lands and Resources."

(126) De Shutter, "How Not to Think of Land-Grabbing," 251. De Shutter identifies a number of buyers and lease holders who cite the economic benefits of securing their own sources of commodities, as long as the price and risk is relatively low and global commodities markets continue to be volatile.

(127) This point is made in all of the studies cited in note 112.

(128) Lipton, *Land Reform in Developing Countries*.

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