

## REFEREE REPORT FOR THE MANUSCRIPT

“Politics, Globalization, and Food Crisis Discourse” (*Economics Discussion Paper No. 2010-22, August 24, 2010*)

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### 1 Topic

This paper aims to provide a working definition of “food security” and wants to provide an overview of the reasons for why – according to the author’s view – the problem of food security in developing countries has become more severe over the last decades, compared to the initial state of “self-sufficient economies” until the mid 1950s.

### 2 Overall Evaluation

This paper does not comply with the standards of economic analysis in professional journals. There is neither a formal model (i.e., a set of assumptions built into mathematical equations from which logical conclusions are drawn), nor an empirical (i.e., econometric or simulation) analysis, nor a comprehensive survey of the (economic) literature. Instead, this paper to a large extent reads as if it was a pamphlet of a globalization-critical NGO. It is full of assertions stated without providing appropriate evidence (if anything, anecdotal evidence is thrown in when this helps to develop an argument), and full of (sometimes polemic) complaints about “neoliberal” globalization and allegedly harmful effects of multinational firms (“TNCs”) for developing countries. The author throughout avoids to provide any (economically) sound arguments that could help to justify these critical claims, while he ignores fundamental economic insights that could have been taken from any introductory trade theory textbook. Overall, the paper neither succeeds to convince the (economics-trained) reader that it provides a useful concept of “food security”, nor does it succeed to provide a convincing analysis of the (economic or political-economic) causes of malnutrition or related problems in developing countries.

The comments in sections 3 and 4 below substantiate this evaluation. Rather than giving detailed comments whenever I disagree with the paper, I restrict attention to a representative set of noteworthy shortcomings.

### 3 Specific Comments On The Style Of Analysis

Since there are no page numbers given in the paper, the page numbers referred to in the following are those that result when beginning with page number 1 on the page that starts with “Introduction”.

- a.) The paper very often uses terms that remain unclear since no further explanation or definition is given. Examples include “*rational state*” (p. 1, first paragraph, see also my comment 4.a. below), “*neoliberal world order pushed by globalization and its institutions*” (first line on p. 2, see also my comment 4.b. below), “*effective demand of the world market*” (p. 4, third paragraph),

“*self-sufficient agrarian societies*” (p. 6, first paragraph, see also my comment 4.c. below), “*globally managed growth*” (p. 6, third paragraph, see also my comment 4.h. below), “*global governance*” and “*international organizations [that] are corporatized in orientation*” (p. 7, second paragraph, see also my comment 4.d. below), “*marginalizing forces of globalization*” (p. 12, second paragraph, see also my comment 4.g. below).

- b.)** Instead of providing any systematic evidence to support the various claims, the author only relies (at best) on anecdotal evidence, e.g. in the third paragraph on p. 2, in the first paragraph on p. 6 including footnote 4, or in the second paragraph on p. 10. This is not sufficient to make such far-reaching claims as those attached to these pieces of anecdotal evidence.

By the way, the views expressed on the reasons for the “*South Korean economic miracle*” in footnote 4 on p. 6 sound strange to the ears of an economist. Although focusing specifically on the examples of Mauritius and Taiwan, Romer (1993) provides important arguments on the fundamental driving forces of such cases of successful economic development. These arguments have become influential in the economics profession.

- c.)** In a scientific journal article, polemical statements like the following are unacceptable: third paragraph on p. 5 (rainforests converted into hamburgers), last sentence in third paragraph on p. 10, last sentence in second paragraph on p. 13, last sentence in third paragraph on p. 13, and the second half of the fourth paragraph on p. 13.

#### **4 Specific Comments On Main Arguments**

- a.)** Page 1, end of first paragraph: what is a “*rational state*”? Does it exist? What makes it “rational”? Isn’t there ample evidence that states (as represented by e.g. governments) are far from being rational? See e.g. van Marrewijk (2007), p. 7, Box 1.1 (“Are nations rational?”).
- b.)** Page 2, first line: here as well as in several places later in the text the author uses the word “neoliberal / neoliberalism”. The last sentence of the first paragraph on p. 7 seems to provide a definition. However, the author fails to recognize that not all members of the “neoliberal” school would agree that there is an “*absolute primacy of market relations*” that does not leave room for well-justified government interventions. For example, the German ordoliberal school, as represented by Walter Eucken, would not subscribe to this interpretation at all.
- c.)** Page 3, first paragraph: why should it be the case that the agricultural sector of a (developing) country “*become[s] less capable of supplying the population’s food needs as it became more integrated into the international market*”? Couldn’t the export revenues be spent on (the import of) agriculture goods? So where is the problem? On p. 5, end of second paragraph, the author reports that there has been a huge increase in wheat imports into the “*Third World*” since the mid-1950s, while these countries have been “*self-sufficient economies*” before. Where is the evidence that prior to this surge in wheat imports (and of other agriculture products), the nutri-

tion in the developing countries (as measured e.g. by average per-capita calories consumed per day) has been better? What is then the meaning of “*self-sufficiency*”?

More generally, the author seems to believe that only national governments can solve the food security problem, while the market forces of free trade cannot (as it becomes clear from, e.g., p. 12, end of first paragraph, or from last paragraph on p. 12 – first paragraph on p. 13, or from the last paragraph on p. 13 – first paragraph on p. 14). This seems to be naïve. Where is the evidence that convincingly shows that a state-run agriculture supply is “better” (in whatever sense) than the outcome of decentralized market economies? The corresponding experience of the former socialist East European countries strongly suggest the opposite.

- d.) The author seems to overestimate the influence or power of multinational firms (e.g., last sentence of third paragraph on p. 7, or first sentence of first paragraph on p. 12). See e.g. van Marrewijk (2007), section 2.4 (“Nations and firms: a classic mistake”), pp. 30-34, who puts this into better perspective. See also Deardorff (2003, p. 657).

Moreover, the author seems to believe that multinational firms (“large food-related TNCs”) have been successful in instrumenting the WTO for their profit objectives (p. 9, first paragraph, and p. 12, first paragraph). Since by design the WTO does not bargain on behalf of private firms, the author should argue much more carefully, and provide clear evidence, that there has really been such an influence that is significantly related to the issue of food security. While there may be valid criticism of e.g. the TRIPs agreement (see Bhagwati 2004, pp. 182ff.), one should bear in mind that not the WTO itself, but individual governments taking part in these negotiation rounds are trying to support vested interests. How much worse (in particular with respect to the interests of developing countries) would the situation be without the mediating rule of the WTO?

- e.) Page 5, second paragraph: The author believes that “*low prices* [due to agriculture subsidies paid in the US and EU] *and international trade patterns*” are largely responsible for the “*agricultural underdevelopment in the Third World*” and that “*agriculture [...] has become a highly unproductive source of employment*”. While the negative consequences of these US and EU agriculture subsidies are undisputed for agriculture-goods exporting developing countries, this is not true for food-importing developing countries, as forcefully argued by Panagariya (2005). He also debunks other fallacies, for example he shows that agricultural protectionism has not been lower in developing countries than in developed countries. Moreover, as Anderson (2010) shows, developing countries have been harming their own farmers significantly by e.g. taxes on agricultural exports or indirectly by protection of manufacturing sectors or an overvalued exchange rate. All this implies that the views of the author as expressed in this paper are biased by neglecting many important aspects.
- f.) There is a strong anti-corporate attitude shining through in many places of the paper (e.g., last paragraph on p. 8, last paragraph on p. 9 – first paragraph on p. 10, and third paragraph on p.

10). As Deardorff (2003) discusses, this is a typical attitude in the anti-globalists' writings, and it is rather difficult to make sense of this attitude when trying to build a consistent economic model that could explain how big transnational corporations do harm to e.g. workers. As Deardorff (2003, p. 657) argues, corporations are much more likely to be overall beneficial to society. Bhagwati (2004, chapter 12: "Corporations: Predatory or Beneficial?", pp. 162-195) discusses all relevant arguments in great detail. By picking some presumed negative aspects and completely neglecting many other positive ones, the author provides a grossly biased story about "TNCs".

- g.)** By putting "*rewards of world market integration*" (p. 13, end of second paragraph) into quotation marks, the author clearly signals (which is also evident from many places in this paper) that he doubts that there are such rewards. There is also a kind of self-contradiction in the paper, since the author on the one hand denies the benefits of trade liberalization, but on the other hand complains about protectionist agricultural trade policies by US and EU.

By pointing inter alia to the comprehensive study of Wacziarg and Welch (2008), Segerstrom (2010, pp. 9-12) explains how wrong globalization critics are in denying the benefits of trade liberalization for the development (and thereby average living standards). Besides any introductory trade theory textbook, other accessible sources explaining these benefits include Irwin (2005, chapter 2: "The Case for Free Trade: Old Theories, New Evidence") and Helpman (2004, chapter 5: "Interdependence"). The author would have a tough time refuting all these arguments and empirical evidence.

- h.)** Somewhat close to conspiracy theories, the author believes that there is something like a "*coordination of the global economy as a singular entity*" (p. 7, last line), and that the "*global food production and distribution are standardized, coordinated and subsumed under corporate and market paradigms*" (p. 8, first paragraph). The third paragraph on p. 12 is in that same spirit. Actually, the only relevant coordinating forces that are at work here are supply and demand forces, driven mostly by voluntary decisions of millions of individuals. So if there is some tendency for e.g. standardization of consumption goods, then this would most likely be because this is what (the majority of) consumers want. The author may not like this, but it does not make much sense complaining about it. What is the alternative? Was there bigger choice over consumption goods in socialist economies? Surely not.

Moreover, the author believes that "*we cannot deny that the organizing ideals of a market rule are essentially politically constructed*" (p. 13, first sentence in fourth paragraph). I cannot disagree more. The essence of free-market rules is that they enable the decentralized exchange of goods and services, independently of political influences which quite often work towards restricting this free exchange. And nobody is actively "constructing" these market rules. Instead, they emerge as a spontaneous order (as has been explained by Friedrich August von Hayek).

Finally, let me emphasize that economic research is not about to hold “right” or “wrong” beliefs. We perfectly know that we all are only on the search for “the truth” but never can be sure to have found it. However, economic research requires economic analysis. This is what is missing in the paper.

## 5 References

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