

New Economics and Food

(A Starting Point.....)

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New Economics Foundation (**nef**)

What is New Economics?

- “Economics as if people and the planet mattered”
- *Objectives* of economics (not incidental)
 - Rights
 - Well-being
 - Sustainability
- Interrelationship
 - Exploiting synergies
 - Resolving underlying tensions

A Systemic Approach

- Address systemic problems, not incremental changes
- Holistic approach
- Systems include:
 - Market structures (local to global)
 - Governance/decision-making
 - Ecology
 - Society

Food and NE Objectives

- Rights
 - to food, adequate standard of living, health
- Well-being
 - hunger, poverty, health.....
 - key role in social interaction
- Environment
 - sustainability of production
 - wider environmental effects

Key Interests

- “Old” Economics – preoccupation with macroeconomy
 - Growth
 - Balance of payments
 - Food just another commodity
- New Economics
 - Prices/incomes for poor people
 - *Rights-based* poverty
 - *Well-being* poverty
 - Sustainability: *future* producers/ consumers
 - Wider environmental effects

Key Issues – Income/Prices

- **Income**

- Who produces?
- Who supplies inputs (incl labour)?
- How responsive are incomes to market changes?
- Incomes from transport/distribution
- Price elasticity of demand

- **Prices**

- Who consumes?
- % of price to producer (distribution; processing)

Key Issues - Environment

- Soil erosion/exhaustion
- Biochemicals
- Water use
- Deforestation
- Biodiversity
- Rural-urban migration
- “Air Miles”

General Objectives

- Narrow gap between consumer and producer prices
- Increase sustainability of production
- Reduce wider environmental damage
 - Within sectors
 - By shifts between sectors (eg large/small)

Overall Matrix

Location/Scale		Income	Price	Environment	
				Sustainability	Wider
North	Large				
	Small				
South	Large				
	Small				

Overall Matrix (Illustrative)

Location/Scale		Income	Price	Environment	
				Sustainability	Wider
North	Large	1	5	-2	-2
	Small	2	1	3	3
South	Large	2	1	-5	-3
	Small	5	3	3	5

Overall Matrix (Illustrative)

Location/Scale		Income (of poor)	Price	Environment	
				Sustainability	Wider
North	Large	1	5	-2	-2
	Small	2	1	3	3
South	Large	2	1	-5	-3
	Small	5	3	3	5

Interactions (Systemic View)

- Competition for markets
- Price effects
- Competition for land
- Displacement
- Environmental spillovers (eg water)
- Advocacy/rules
- Employment opportunities/demand

Price/Income Matrix

		producers	
		poor	non-poor
c o n s u m e r s	p o o r	Raise incomes Lower prices	Lower prices
	n o n - p o o r	Raise incomes	

Price/Income Matrix

		producers		
		poor		non-poor
c o n s u m e r s	p o o r	Price elastic	Price inelastic	
	n p o o r	demand	demand	

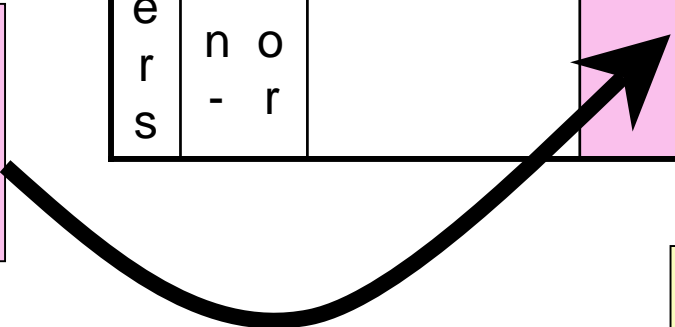
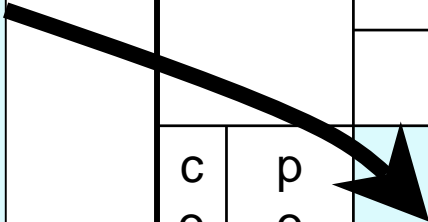
Illustrative Policy Interventions

Subsidise small farm production? (if poss)
 Increase small farm supply => increase productivity (eg by extension)

Reduce total supply (esp. large farms) => commodity cartels?
 Support diversification?

		producers		
		poor		non-poor
c o n s u m e r s	p o o r	Price elastic demand	Price inelastic demand	
	n p o o r			

Tax? (for revenue neutrality)



Conclusions

- Conventional economics fails to reflect the central role of food in relation to rights, well-being and poverty
- New economics could provide a basis for policies prioritising social/ environmental objectives over the macroeconomy
- ***But*** this is only a starting point.....