

Policy Pennings by Dr. Daryll E. Ray

## Questions, Questions, We Have Questions

After a break of a couple of weeks to cover other issues in this column I would like to return once more to the World Bank report that many political leaders and others are referring to. They talk glowingly of the \$500 billion a year addition to global income and the subsequent lifting of 144 million people out of poverty.

In this column, we have asked if it is reasonable to expect the European Union to abandon 60% of its wheat acres as a part of the World Bank trade liberalization scenario. And not only that, the data in the report seems to suggest that Europe would have to give up 70% of the acres it presently devotes to the growing of other grains. Under this scenario, Europe would return to the conditions it experienced following WWII, living ship-to-mouth as it awaits grain import. Can this be what the authors of the report expect, or are we misreading the data?

Is it realistic to expect, as the report suggests, that China will become dependent on imports to feed its population? Given the fact that, without relying on imports, China doubled its daily kilocalorie production of food between 1970 and 1999 and reduced the number of malnourished among its population by millions, can it reasonably be expected that China will turn around and import as much as 20% of its considerable needs for seeds and grains?

Given the worldwide controversy about U.S. payments to agriculture it is no surprise that U.S. production takes a hit in the report. We estimate that to be consistent with the numbers in the report that its authors must be projecting that U.S. wheat acreage would need to drop by 34% and sugar production by 50%. It is hard to justify those results given the rosy pictures of trade liberalization in agriculture painted by trade and agricultural officials. Are we missing something in our reading of the report?

Despite all the readjustment difficulties, we then find out that even with the elimination of subsidies and the reduction in tariffs, world prices for seeds, grains and

cotton will increase very little if at all. If the low prices are caused by subsidies in the developed countries, then why don't prices increase significantly with the elimination of these same subsidies?

After we sent out a previous column that questioned where Australia could come up with all the additional wheat acreage the report suggests they would gain as the result of its trade liberalization regimen, we received an email from an analyst in Australia. He confirmed our suspicions. It would be difficult for Australia to come up with an additional 20 million acres to put under wheat production. If that is true, didn't the report developers take into consideration the physical limitations of each country?

And if that is not enough, like Detective Columbo of the TV series, we have to ask just one more question (but no unlit cigar in our hand) about something that is puzzling us. What is going to happen to all of the people who are displaced by all of these changes? What about the hundred million in China, the countless millions in India as well as those displaced in developed countries? From what former World Bank Chief Economist Joseph Stiglitz says, economic models like the one the report is based upon assume that there is no such thing as involuntary unemployment. Excess resources in one sector will automatically be absorbed virtually immediately by another sector. No such thing as involuntary unemployment? As Columbo would say: something sounds a little fishy. Hopefully, like in the TV series, all will be revealed.

*Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of the UT's Agricultural Policy Analysis Center. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; <http://agpolicy.org>. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.*

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