

The Rich Get Hungrier

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WILL the food crisis that is menacing the lives of millions ease up — or grow worse over time? The answer may be both. The recent rise in food prices has largely been caused by temporary problems like drought in Australia, Ukraine and elsewhere. Though the need for huge rescue operations is urgent, the present acute crisis will eventually end. But underlying it is a basic problem that will only intensify unless we recognize it and try to remedy it.

It is a tale of two peoples. In one version of the story, a country with a lot of poor people suddenly experiences fast economic expansion, but only half of the people share in the new prosperity. The favored ones spend a lot of their new income on food, and unless supply expands very quickly, prices shoot up. The rest of the poor now face higher food prices but no greater income, and begin to starve. Tragedies like this happen repeatedly in the world.

A stark example is the Bengal famine of 1943, during the last days of the British rule in India. The poor who lived in cities experienced rapidly rising incomes, especially in Calcutta, where huge expenditures for the war against Japan caused a boom that quadrupled food prices. The rural poor faced these skyrocketing prices with little increase in income.

Misdirected government policy worsened the division. The British rulers were determined to prevent urban discontent during the war, so the government bought food in the villages and sold it, heavily subsidized, in the cities, a move that increased rural food prices even further. Low earners in the villages starved. Two million to three million people died in that famine and its aftermath.

Much discussion is rightly devoted to the division between haves and have-nots in the global economy, but the world's poor are themselves divided between those who are experiencing high growth and those who are not. The rapid economic expansion in countries like China, India and Vietnam tends to sharply increase the demand for food. This is, of course, an excellent thing in itself, and if these countries could manage to

reduce their unequal internal sharing of growth, even those left behind there would eat much better.

But the same growth also puts pressure on global food markets — sometimes through increased imports, but also through restrictions or bans on exports to moderate the rise in food prices at home, as has happened recently in countries like India, China, Vietnam and Argentina. Those hit particularly hard have been the poor, especially in Africa.

There is also a high-tech version of the tale of two peoples. Agricultural crops like corn and soybeans can be used for making ethanol for motor fuel. So the stomachs of the hungry must also compete with fuel tanks.

Misdirected government policy plays a part here, too. In 2005, the United States Congress began to require widespread use of ethanol in motor fuels. This law combined with a subsidy for this use has created a flourishing corn market in the United States, but has also diverted agricultural resources from food to fuel. This makes it even harder for the hungry stomachs to compete.

Ethanol use does little to prevent global warming and environmental deterioration, and clear-headed policy reforms could be urgently carried out, if American politics would permit it. Ethanol use could be curtailed, rather than being subsidized and enforced.

The global food problem is not being caused by a falling trend in world production, or for that matter in food output per person (this is often asserted without much evidence). It is the result of accelerating demand. However, a demand-induced problem also calls for rapid expansion in food production, which can be done through more global cooperation.

While population growth accounts for only a modest part of the growing demand for food, it can contribute to global warming, and long-term climate change can threaten agriculture. Happily, population growth is already slowing and there is overwhelming evidence that women's empowerment (including expansion of schooling for girls) can rapidly reduce it even further.

What is most challenging is to find effective policies to deal with the consequences of extremely asymmetric expansion of the global economy. Domestic economic reforms are badly needed in many slow-growth countries, but there is also a big need for more global cooperation and assistance. The first task is to understand the nature of the problem.

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