

[Oxfam is wrong about food prices](#) [1]

Written by [JP Floru](#) [2] | Tuesday 31 May 2011



Questioning Oxfam is a bit like questioning Bambi. But if its claims risk creating hunger, they need to be addressed. In its new report, [Growing a Better Future](#) [3], Oxfam pleads for more government intervention to alleviate rising food prices. It predicts food demand will increase by 70% by 2050, and food production only by 1% by 2020. Throw in global warming and you've got enough cataclysmic predictions to make a few headlines.

Predictions linking scarcity to calamity are old hat ? the Club of Rome's 1972 [Limits to Growth](#) [4] report springs to mind. As a good Catholic boy I was taught this by my Religious Education teacher in school. (I also know all about the [ringing success](#) [5] of Julius Nyerere's communist villages from the same source.) *The Limits to Growth* predicted the imminent collapse of life on earth because of rising demand and no production increase. Sounds familiar? It even came up with years in which certain raw materials would run out. Didn't you know that oil ran out in 1992? Today's report by Oxfam proves that doomsday neo-Malthusianism has not gone away.

Contrast the prophets of doom with the progressive optimism of free marketeers. Leaving people free leads to ever greater inventions, ever increasing production, and an ever improving standard of living for the multitudes. And yes, it applies to food production, too.

The free market feeds the world. Market prices are key: when food prices go up, people switch to alternatives or re-arrange their priorities; and investors are incentivised to increase production. It is the best method to allocate scarce resources in the most efficient manner for the greatest number of people. Yes, it is as simple as that.

Drought? The market ships the food. Poverty? The market produces cheap food in abundance. Increased food prices? Entrepreneurs all over the world jump on the band-wagon and increase food production to make some money, which makes the price go down.

Oxfam believes government intervention can do better. State intervention in food production has been tried before ? in Soviet Russia and Mao's China, where it was not exactly a roaring success. But when interventionists are on the attack no historical facts must stand in the way. Oxfam pleads for more state aid to small farmers. They seem uninterested in such trifles as economies of scale or efficiency. But they should be: relying on small farmers to provide the world with food guarantees worldwide hunger.

The Oxfam report calls for transparency in commodities and regulation of futures markets. But futures markets are precisely where farmers can insure themselves against a bad harvest! Commodities markets are where enterprising individuals take risks and make or lose money in the business of providing food

when and where there is demand. Multiple producers guarantee that there is never a monopoly.

The report calls for controls on the fluctuation of prices. Price controls have never worked, and always create shortages: producers are simply not incentivised to produce anymore. Price controls dry up supply and create a black market where the poorest are even worse off.

However, on one point Oxfam is right: it wants to end policies promoting bio-fuel. This is a form of government intervention which subsidizes one sector, energy, at the expense of another, food. This state intervention should indeed be abolished, so we can return to the only successful method to feed the world: the free market price mechanism.

It's sad that people whose business it is to alleviate hunger and poverty hark back to the failed interventionism of yesteryear. There is an alternative: freeing up people by introducing free foreign ownership, allowing free trade, and abolishing all agricultural subsidies.

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