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Food fit for a prince [1]

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Yesterday, Prince Charles gave a speech in Washington [3] on ?sustainable farming?. Specifically, he criticised America?s taste for beef, and promoted organic food. But Charles? comments betray a ? perhaps unsurprising ? lack of free market understanding and, if put into practice, would amount to an assault on the consumer.

Firstly, the Prince claimed that, ?For every pound of beef produced in the industrial system, it takes two thousand gallons of water. That is a lot of water and there is plenty of evidence that the Earth cannot keep up with the demand?. However, it is a simple law of markets that the Earth can keep up with any level of demand, for any product. If demand exceeds supply at a given price, prices will rise, until supply and demand are re-equilibrated. Increasing water prices will mean that beef is more expensive, naturally regulating the American consumption that Charles is so worried about. Water goes to beef production because steak, burgers and so forth are highly valued; if we were to ration the amount of water used in making beef, it would go to some other good which is less valued. Since water rationing would also necessarily mean beef rationing, prices would increase nonetheless. The consumer, and in particular the less well-off consumer looking for cheap food, would be hit the hardest.

Prince Charles? next target was the building on rural land. He criticised the US for allowing such activities, saying that, "Here in the United States I am told one acre is lost to development every minute of every day, which means that since 1982 an area the size of Indiana has been built over". But what does the transforming of rural land into built up areas show? It shows that the built up areas are valued more highly by the public; people are prepared to pay more for, say, hiring an office block for a year, than they are for the food which could be produced in that land in a year. By placing restrictions on building, the land will be used for something less valued by the public, and the supply of housing will be reduced; leading to an increase in prices. Again, we see consumers, and especially poor consumers in need of housing, taking the hit for such a change.

Lastly, Charles argued for subsidies to organic farming. But all subsidies do is force people to pay towards the production of a good they don?t want. Organic food is expensive because it inefficiently uses resources. If people are prepared to pay for its possible health benefits ? fine. But by subsidising organic food, all we?re doing is encouraging resource inefficiency to make food people don?t want. The land, labour and capital which would have been used to produce a large amount of non-organic food would then be used to make a small amount of organic food. Supply falls, prices goes up, and who loses out? The consumer.

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[1] http://www.adamsmith.org/blog/tax-and-economy/food-fit-for-a-prince
[2] http://www.adamsmith.org/taxonomy/term/5942
[3] http://www.guardian.co.uk/environment/2011/may/05/prince-charles-sustainable-agriculture-farming
[4] http://disqus.com/?ref_noscript
[5] http://disqus.com