

Vinyl 2010 Essay Competition Submission
Faced with a food and energy crisis, how can society improve its well-being?

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Summary:

The world as we know it today is faced with increasing oil prices, decreasing food production and ecological abuse... A good policy should result in interventions which are no longer undesired (66% of the sugar production is subsidized, so the sugar industry is not for nothing called "the white gold"...) or which remove the problem to another crisis (the production of bio-gases means less grain). This problem is comparable with cancer for the economic system and assumes a well thought-out strategy in the short and in the long term, supporting both the inter and the intra industry trade.

Essay:

Back to the 70s?

We're in the middle of an energy crisis which is the direct consequence of the increasing oil prices. However, whereas in the seventies the Arabs caused a lack of oil by turning off the tap, now the cause is a structural disequilibrium of supply and demand.

The price rise isn't surprisingly. Oil is a raw material taking millions of years for creation. Its production cannot increase as much as machines which productivity is getting higher by the years. While machines, factories etcetera are developed more quickly and become cheaper, raw materials become more expensive.

The "perfect" marriage

There's another crisis worth mentioning. The peculiarity is that both crises influence and strengthen each other. They make the "perfect" marriage...

Judging by the figures of the FAO, milk products became 80% more expensive. The oil price increased with 50% in two years. Passed on to the food production, the grain and rice price rose with 42% and 50%, while they're both basic food for billions of people.

Fluctuations of food prices at the world market aren't unusual. There are after all many factors affecting prices and there are very unpredictable ones with it, e.g. the climate.

Cancer

Let's have a look at cancer. This disease has some distinguishing features: malicious cells multiply themselves uncontrolled; they're spread into the body via the bloodstreams and damage the surrounding tissue.

Our international economic system was hit by cancer. The free market we maintain is a well-working mechanism that has proved its effectiveness. Nevertheless, a market failure is not unthinkable, just like human beings can be taken ill.

When you're sick, you go to the doctor and in case of a cancer, it's important he doesn't fight the symptoms, but penetrates to the core. There has to be looked for an effective treatment. The energy crisis already has been introduced in the economy and has expanded exponentially. It enlarged and had an influence on trade and food production and resulted in the infection of the "surrounding tissue", leading to a food crisis. The bloodstreams of our economy – international trade – made possible the worldwide spread of the crises.

"A Happy New Year and God bless you!"

On New Years Day everyone wishes his acquaintances a good health. So does our economic system, in which we look for long term solutions to make sure it gets back on its feet. Therefore, we have to answer one essential question: "What accounts the core of the lump?"

The paws of the "cancer"

First of all, the agricultural policy in developed countries is inefficient. The allowances which are granted for farmers often rise very high and like this, there's in fact not only created unfair competition but beneath, inefficient sectors are kept up. This long term factor supports the lift of food prices. The financial means of it would better be applied to remodel the industry of the country in question into those industries where it still has comparative benefits – and in the case of developed countries it's rather the development of high technological industries and knowledge societies. Employ the financial means for retraining, so that the new unemployed find acceptance in the new industries. Moreover, in developing countries, agriculture can be applied at a more innovative and efficient way what will result in more wealth for developed and developing countries. The IBRD and the IMF have to look through this and stop allowing such protectionism. Economists will aim that by applying the North to technology and knowledge and the South to agriculture, the inter industry trade is being supported. As technology and knowledge will be primordial in the North, developed countries will be able to carry on intra industry trade. For the above, I'd like to refer to the Nobel Prize winner for Economics 2008 Paul Krugman. His perception of economics allows us to look for solutions for the current economic problems.

The wealth of about all countries can be improved in accordance with this model, but it doesn't give at first sight a solution. However, as a result of applying the South to agriculture, there'll be less movement of goods, what will influence the oil prices at a favorable way and drive back the scarcity. In spite of that, there'll be always an oil scarcity given the exhaustion of natural reserves. For that reason, it's the task of developed countries to look in their knowledge societies for alternative energy production at a high technological level.

The preceding story brings us to another crisis. So, is there a third crisis? The answer to this question is affirmative: the ecological crisis is accompanied by a large amount of climate changes. The previous procedure allows pushing back the oil consumption and

the emission of greenhouse gases drastically. A healthier environment across the whole earth is in any case immediately wealth increasing for each individual and has in a roundabout way the impact of less climate changes at those places where we were going to farm. This will lead to a higher productivity and will result in an expansion of wealth.

A former introduced government intervention is the production of bio-fuel. Notice that grain, coupled with the food crisis, would better be on the plate of undernourished people rather than in the tank of a car... I plead for rescinding the allowances for this method and adapt it to the mentioned principle, which should have to lead to a more fruitful outcome.

Saved in the short and in the long term!

Supporting the inter industry trade will get the economy out of a first low. The supervision of international organizations and public institutions has a central role in this story. So, the first part of our method will yield fruit in the short term. The alternative electricity production will chiefly express itself in the long term. However, we have to conclude by saying that permanent growth only can be acquired by pointing out a strategy in the long term which has been well thought-out, as history often has showed.