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Economy (Inflationary Concerns Subside), Food Aid-Prices, Doha (Ashton Comments), and Campaign Issues

Posted By [Keith Good](#) On October 24, 2008 @ 6:04 am In [Ethanol](#), [Doha / Trade](#), [EU](#), [Agricultural Economy](#), [Food Prices](#) | [Comments Disabled](#)

Economy

[Renaë Merle](#) reported in today's Washington Post that, "Stocks staged a rebound yesterday despite a new round of poor economic data and weak corporate earnings reports.

"The Dow Jones industrial average slipped in and out of positive territory all day, moving hundreds of points an hour and continuing the volatility that has come to exemplify the fear and uncertainty of investors. A late-day rally by energy stocks, which were buoyed by an uptick in oil prices, led the Dow higher 2 percent, or 172.04 points, to close at 8691.25."

The Post article added that, "New [data from the Labor Department](#) added to investor worries. Applications for unemployment benefits rose 15,000 last week to a seasonally adjusted 478,000 — a bigger jump than analysts expected. That compares with 333,000 claims at the same time last year."

With respect to oil prices, [Matt Whittaker](#) reported in today's Wall Street Journal that, "Futures rose in anticipation of a production cut by the Organization of Petroleum Exporting Countries, which is set to meet Friday in Vienna. Gains were limited by lingering concerns about declining demand. OPEC is expected to announce that it will decrease output by at least one million barrels a day. Light, sweet crude for December delivery rise \$1.09, or 1.6%, to **\$67.84** a barrel on the New York Mercantile Exchange."

Meanwhile, [Edmund L. Andrews](#) reported in today's New York Times that, "For years, a Congressional hearing with **Alan Greenspan** was a marquee event. Lawmakers doted on him as an economic sage. Markets jumped up or down depending on what he said. Politicians in both parties wanted the maestro on their side.

"But on Thursday, almost three years after stepping down as chairman of the Federal Reserve, a humbled Mr. Greenspan admitted that he had put too much faith in the self-correcting power of free markets and had failed to anticipate the self-destructive power of wanton mortgage lending.

"'Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief,' he told the House Committee on Oversight and Government Reform."

The Times article stated that, "Now 82, Mr. Greenspan came in for one of the harshest grillings of his life, as Democratic lawmakers asked him time and again whether he had been wrong, why he had been wrong and whether he was sorry."

With respect to European perspective on the current financial crisis, [Craig Whitlock](#) reported in today's Washington Post that, "With European lawmakers still bickering over how to respond to a string of bank failures and a fading economy, expectations are rising that a clairvoyant French banker will come to the rescue.

"Jean-Claude Trichet, president of the European Central Bank, has been playing a key behind-the-scenes role in recent days as elected leaders and finance ministers from across the 27-nation European Union have held emergency meetings to deal with the credit crisis. Although politicians have struggled to present a united front, analysts said odds were high that Trichet will intervene soon with a cut in interest rates — something that his bank hasn't done in more than five years."

The Post article explained that, "**Unlike the Federal Reserve, which is also legally bound to fight unemployment by stimulating growth with low rates, the European Central Bank has a single mission: to maintain price stability by keeping inflation low.**

"**As a result, it has been far more reluctant to cut rates than the Fed.** In the face of a dragging economy, the Fed has slashed its benchmark rate since last year from 5.25 percent to 2 percent. In contrast, despite a similar slowdown in Europe, its European counterpart raised its

benchmark rate by a quarter-point in July to 4.25 percent — **citing inflationary risks from high commodity prices and rising wages.**

“Some European countries, in particular France, have long complained that Trichet’s strategy as president has been too conservative, hampering growth.”

The Post article also noted that, “Unlike Federal Reserve chief Ben S. Bernanke, who worked side-by-side with Treasury Secretary Henry M. Paulson Jr. to fashion a \$700 billion bailout fund, Trichet and the European Central Bank have been careful to remain at arm’s length, at least publicly, from politicians trying to come up with a fiscal solution to the banking crisis. [And] while the European Central Bank oversees monetary policy for the 15 countries that use the euro, each member of the European Union is responsible for regulating its own banks. That has made it difficult to forge a common strategy in Europe for helping troubled banks, many of which operate across national borders.”

And [Joellen Perry](#) reported in today’s Wall Street Journal that, **“For Western European policy makers, the financial crisis has abruptly shifted the focus from rising inflation to the threat of sharply slower growth.**

“Slower economic growth means **‘the pressure on inflation will be lower, and this, together with the lowering of commodity prices’ means the ECB can lower rates without adding to inflationary risks in the medium term,** ECB executive board member José Manuel Gonzalez Paramo said in an interview in the Irish Independent Thursday.”

On the issue of “lowering commodity prices,” the [Associated Press](#) reported yesterday that December corn futures are still trading below \$4.00 a bushel (\$3.9025), while December wheat closed at \$5.230 and November soybeans closed at \$8.84500.

Despite a recent reduction in the cost of agricultural commodities, consumers are changing their resource allocations with respect to food expenditures due to the generally worsening economic climate.

Ronald D. White and Jerry Hirsch noted in today’s Los Angeles Times ([“Restaurant industry is starving for customers”](#)) that, **“As the economy worsens, Americans are eating out less, and more at home, to save money.** With less foot traffic, businesses are seeing their sales and profits plummet — and their expenses rise.”

Food Aid-Prices

Paul Collier, writing in the November/December issue of Foreign Affairs, provided a lengthy and in-depth look at global food issues in an article entitled, [“The Politics of Hunger.”](#)

A summary of the detailed article stated that, “Politicians have it in their power to solve the food crisis, but they must be willing to end the biases against big commercial farms and genetically modified crops and **do away with farm subsidies.**”

Associated Press writer [Charles J. Hanley](#) reported yesterday that, “Former President Clinton told a U.N. gathering Thursday that the global food crisis shows ‘we all blew it, including me,’ by treating food crops ‘like color TVs’ instead of as **a vital commodity for the world’s poor.**”

“Addressing a high-level event marking Oct. 16’s World Food Day, Clinton also saluted President Bush — ‘one thing he got right’ — for pushing to change U.S. food aid policy. **He scolded the bipartisan coalition in Congress that killed the idea of making some aid donations in cash rather than in food.**

“Clinton criticized decades of policymaking by the World Bank, the International Monetary Fund and others, encouraged by the U.S., that pressured Africans in particular into dropping government subsidies for fertilizer, improved seed and other farm inputs as a requirement to get aid. Africa’s food self-sufficiency declined and food imports rose.”

The AP article indicated that, “[Clinton] noted that food aid from wealthy nations could itself be a tool for bolstering agriculture in poor countries. Canada, for example, requires that 50 percent of its aid go as cash — not as Canadian grain — to buy crops grown locally in Africa and other recipient countries.

“U.S. law, however, requires that almost all U.S. aid be American-grown food, which benefits U.S. farmers but undercuts local food crops. Bush proposed earlier this year that 25 percent of future U.S. aid be given in cash.

“A bipartisan coalition (in Congress) defeated him,’ Clinton said. ‘He was right and both parties that defeated him were wrong.’

“Clinton also criticized the heavy U.S. reliance on **corn to produce ethanol**, which increased demand for the crop and helped drive up grain prices worldwide.”

Doha (Ashton Comments)

[Joshua Chaffin](#) reported in Wednesday’s Financial Times that, “Baroness Catherine Ashton won the endorsement of the European Parliament on Wednesday to replace the outgoing Peter Mandelson as European Union trade commissioner.

“The Parliament confirmed Baroness Ashton by a vote of 538 to 40, with 63 members abstaining.

“That result suggested that Baroness Ashton, a leader of the House of Lords, succeeded at overcoming concerns about her relative inexperience to assume Europe’s top trade post.”

The FT article indicated that, “I have hundreds of technical experts who have been working on the trade portfolio for years. But I do have the experience to go and negotiate on behalf of the EU because I am a negotiator - it’s what I do,’ Baroness Ashton told legislators during an appearance before parliament on Monday evening.”

“Baroness Ashton also argued that Europe should resist the calls to curtail free trade that have been provoked by the economic slowdown and global financial crisis,” the article said.

[Reuters News](#) noted on Wednesday that, “A trained economist who was leader of Britain’s unelected upper house, Ashton previously held junior ministerial positions in the departments of Education and Skills, and Constitutional Affairs and Justice, including responsibility for international trade in legal services.

“In her confirmation hearing Monday, **she insisted the financial crisis made it more important than ever to reach a world trade accord and urged the United States to help revive the stalled Doha round of negotiations.**”

[Xinhua News](#) reported yesterday that, “Ashton arrived in Geneva on Wednesday, **only hours after the European Parliament confirmed her post** as the EU’s top trade negotiator. She took the place of Peter Mandelson, who returned to the British cabinet.”

Dow Jones News writer [Alessandro Torello](#) reported yesterday that, “The European Union is still committed to reaching a deal on a global trade negotiation, newly appointed European Trade Commissioner Catherine Ashton said Thursday.

“Doha is still very much alive. If this deal is to be concluded soon we all need to tackle the outstanding issues with urgency and determination,’ Ashton [said in a statement](#) after meeting top official from the World Trade Organization in Geneva. ‘Europe will continue to play a central role in pushing these talks forward,’ she added.”

A [Reuters News](#) article from yesterday added that, “A meeting of ministers in July to seek a breakthrough in the Doha talks, launched in Qatar nearly seven years ago to open up world trade, [collapsed](#) over differences between the United States and India over measures to protect poor-country farmers.

“At the time Ashton’s predecessor, Peter Mandelson, said there was no realistic chance of agreeing the core issues in the talks in the foreseeable future.

“Ashton said circumstances have changed since then.

“We have to look at what’s changed, and what we’ve got is **a different economic climate** and, I think, the need for nations to consider how open trade is part of the solution to the economic downturn,’ she said.”

And, an update posted on Wednesday at the [WTO Online](#) stated that, “The new chair of the Negotiating Group on [Non-agricultural Market Access](#) (NAMA), Ambassador Luzius Wasescha, of Switzerland, briefed delegations on 22 October [audio replay available [here](#)] on his recent consultations with 47 members and announced his programme of intensive negotiations starting next week.”

Campaign Issues

-Travis Fox. "[Conflicted In Kansas](#)." The Washington Post Online. 10.21. (Includes Video Presentation).

-American Farm Bureau Federation (AFBF) NewsLine. "[McCain's Take on Ag Issues](#)." AFBF Online. 10.23.

- Tom Zeller, Jr. "[Of Farming, Ethanol Subsidies and Election '08](#)." The Green Inc. Blog- The New York Times Online. 10.22.

- Philip Brasher. "[Rural Voters Moving to Obama?](#)" The Cash Crops Blog- Des Moines Register Online. 10.23.

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