Fighting to Prevent Global Hunger

Robert Pollin

The Tikkun Community should take justified pride in twenty-five years of fighting effectively for social justice and building from Jewish traditions and teachings in waging these fights. In that spirit I wish to pose what may seem like an out-of-nowhere question: are you following the current activities of the Commodities Futures Trading Commission?

My guess is that almost everyone is answering "no." This is a serious problem. Despite its obscurity as a federal government regulatory body, the Commodity Futures Trading Commission (CFTC) is making decisions now that could determine whether hundreds of millions of people experience malnutrition, hunger, and perhaps even starvation in the coming years.

Futures markets for food, oil and other commodities have long been used by farmers and others to maintain stability in their business operations and plan for the future. For example, under a "plain vanilla" wheat futures contract, a farmer could spend $50,000 planting her crop now, and agree now with a commodities futures trader to sell the crop at a fixed price when the crop is harvested.

But such simple agreements became increasingly overwhelmed by big-time market speculators in 2000 when the markets were deregulated, along with the rest of the U.S. financial system. Deregulation produced severe swings in the global prices of food and oil.

The most severely impacted victims of commodity price volatility are people in developing countries, where it is common for families to spend 50 percent or more of their total income on food. The United Nations found that sharp price increases in 2008 -- a 40 percent average increase across a range of different food items -- led to malnutrition for 130 million additional people. Low-income people in developing countries have been further hammered because, even though global food prices did fall sharply from their mid-2008 peak, they are still today, on average, about 20 percent higher than they were in 2006. Moreover, just between June and September of this year, the price of wheat rose by 72 percent, demonstrating that the extreme food price spike in 2008 was not a one-time aberration.

The Dodd-Frank financial reform bill that passed Congress in July does create a framework for effectively regulating commodities futures markets. However this new law is weak on details, leaving these decisions to the day-to-day regulators at the CFTC.
The Dodd-Frank law includes a prohibition on any sort of agricultural swap trading -- the single most active area for speculative gambling on food products. But Dodd-Frank also allows the CFTC to consider exemptions from this prohibition. Not surprisingly, large numbers of Wall Street lawyers have drafted letters explaining why these exemptions should be granted generously. Dodd-Frank will be rendered toothless if Wall Street prevails on this and related issues. Speculators will again be permitted to gamble on hunger.

So let's keep up the fight for social justice on all terrains, including the Commodities Futures Trading Commission.