

# CounterPunch

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ALEXANDER COCKBURN AND JEFFREY ST. CLAIR

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## **Hunger and Financial Speculation**

### **Why the World Price of Food Is Going Up**

By Carmelo Ruiz-Marrero

**T**he fact that food prices are spiraling upward all over the world is not news.

Between June 2010 and June 2011 world grain prices almost doubled. Wheat went up 70 per cent between June and December 2010, and by June 2011 its price was 83 per cent higher than one year before. During the same 12-month period corn went up 91 per cent.

Quoting an article from the German publication *Der Spiegel*:

"In March (2011), the Food and Agriculture Organization of the United Nations (FAO) reported new record high prices, which even surpassed the prices during the last major food crisis in 2008. According to the FAO's Food Price Index, overall food costs rose by 39 per cent within one year. Grain prices went up by 71 per cent, as did prices for cooking oil and fat. The index had reached 234 points in July, only four points below its all-time high in February."

This does not affect everyone in equal measure. The average American family spends no more than 10 per cent of its budget on food, whereas the world's poorest two billion spend between 50 per cent and 70 per cent of their scarce income on food.

The political consequences of these price hikes can be explosive. During the 2010-2011 period several governments around the world were overthrown, there were riots in cities from Kyrgyzstan to Kenya, and three wars started in the Middle East: Syria, Yemen and Libya.

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## **A Libyan Diary**

### **Reality after the Overthrow**

By Vijay Prashad

**F**or over a week, the oil workers of the Arabian Gulf Oil Company (Agoco) have been on strike outside its offices in Benghazi, Libya. Fifty workers and unemployed youth brought their frustration with the new Libyan authorities to the gates of Agoco, a subsidiary of the National Oil Company. This is not the first protest in Benghazi. In January, protestors occupied the National Transitional Council's headquarters, trapping its chairman, Mustafa Abdul-Jalil, in the building. Last month, fighters from Zintan captured the Tripoli Airport to highlight their demand for jobs. The protests at Agoco have forced the oil company to cut back on oil production by almost 100,000 barrels per

day. Indications are that if the protests continue, Agoco might be forced to shut down all production.

Early in the rebellion, in March of last year, Agoco's leadership hastened to the side of the rebels. They pledged to allow production to continue as quickly as possible and to use the oil revenues to finance the rebels. "Agoco is now part of the revolution," an official told the *Financial Times* on March 10, 2011, "so, we are trying to get money from the oil." A year later, the former rebels are back at the gates. This time their grouse is not with Tripoli but with Agoco itself. They have come to redeem the promises made by the oil bureaucracy to them. Unemployed youth and exploited work-

PRASHAD CONTINUED ON PAGE 2

## **From Vengeance to Sanitation**

### **How they Argue Now for the Death Penalty**

By Bruce Jackson and Diane Christian

**D**eath Row exists because prison authorities believe they must quarantine condemned prisoners from other prisoners and keep them out of the ordinary routine of the penitentiary during the years the state decides whether and when it is going to kill them. Symbolic analysts like René Girard and Michel Foucault might argue that death row, particularly as it grows ever more isolating and restrictive, is itself part of the apparatus that makes guiltless killing by the state possible.

The fact that DRs (Death Row inmates) in Texas who are commuted or resented to life or a term of years quickly

go into population rather than restrictive custody strongly suggests that, as far as prison officials are concerned, the only real difference between them and everyone else in the building is their sentence, not their dangerousness.

The fact that former DRs who are resentenced and, therefore, move into the general prison population have far fewer disciplinaries than other prisoners serving felony time suggests that most aren't even particularly dangerous anyway, at least not in the prison context. What makes them eligible for the limbo that is death row is their sentence of death, which is a legal fact, not the style or mea-

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ers believed that their blood would produce a new dispensation in Libya. It has not come to pass.

The government recognizes that the protests in Benghazi are not about economics alone. "This has nothing to do with the oil sector or Agoco workers or the company itself," said Deputy Oil Minister Omar Shakmak the day after the strike began. He conceded that many among the protestors, whose numbers swelled as the first day of the blockade ended, were former rebels who sought payment for their sacrifice. They want jobs, they want the Gaddafi-era officials to be sacked, and they want an end to corruption in the Libyan oil ministry.

## Jobs

The employment situation in Libya was very bad before the fall of the Gaddafi regime. A 2009 report in *Oea*, the paper close to Saif al-Islam Gaddafi (Muammar's son), pointed out, "Libyans with jobs number 1.3 million which represent 79.26 per cent of the whole workforce. This means that the jobless rate in Libya is around 20.74 per cent. Unemployment among men is 21.55 per cent and at 18.71 per cent among women."

Among those under the age of 20 who sought work, the unemployment rate was around 50 per cent.

When confronted with the report from *Oea*, Muammar Gaddafi went to the General People's Congress, complained about corruption in the government, and promised to increase the transfer payments by \$30 billion to help the five million desperately poor Libyans. Not much of this promise was put into place by the end of 2009. This was one more indication of the second half of Gaddafi's mercurial reign: from about the late 1980s, Gaddafi would get equal parts angry and depressed about the mirage of Libyan

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prosperity and make rash promises that he would rarely keep. He had no plan for the structural problem of joblessness, one of the great grievances of the youth in Libya. All that he could muster was the promise of payments into the hands of individual families.

Last month, an IMF team led by Ralph Chami found that the unemployment rate is now higher than it was before the revolution. The Libyan Ministry of Labor and Capacity Building estimated the unemployment rate at the end of 2010 at 14 per cent, and now at about 26 per cent.

The current Libyan regime has neither ideas nor institutional authority to address the problem of structural unemployment. The IMF study team's report ("Libya Beyond the Revolution: Challenges and Opportunities") noted that Libya is "overly dependent on hydrocarbons." This is both a blessing (for its revenues) and a curse (for its illusion of economic activity). "While considerable potential to expand hydrocarbon production exists," the IMF notes, "the

hydrocarbon industry is capital intensive and therefore can only make a very limited contribution to employment growth." The non-hydrocarbon sector in Libya accounts for only 30 per cent of total measured economic activity.

The Tripoli government has both ears tuned to the IMF's recommendations, which are anemic: "develop a vibrant private sector," the IMF suggests, and enhance Libya's tourism potential ("in light of Libya's rich archeological sites, Mediterranean climate, and proximity to major European markets"). In line with the antipathy to the public sector, the IMF suggests that "the size of the civil service will need to be reduced, and public-sector wages contained to limit growth in the reservation wage. The transition will not be easy: it will be important to strengthen social safety nets to support those in need while allowing the labor market to operate freely and effectively."

All signs indicate that the Tripoli government is going to take the IMF recommendations very seriously. A cut back in state employment, an increase in training centers and the creation of a social safety net are all in the works. The demonstrations in Benghazi is a sign of what is to come, which is to say unrest from a population that is unwilling to admit that the rebellion against Gaddafi must have a neoliberal outcome. The jobless did not take up the gun to stay jobless.

## Accounts

IMF reports are filled with predictable jargon, with words such as transparency and accountability strung together, leading to acronyms such as GFMS (Government Financial Management Information System). The pabulum is all very well, but it does not address the root problems faced by the Libyan government. Unremarkably, the IMF report's section on "transparency" is rooted in this verbiage rather than in empirical data.

For that, one has to turn to a leaked report from the Libyan National Transitional Council (November 7, 2011). This seven-page report details the "communication" problems between the Oil Ministry, the Finance Ministry, the Libyan Investment Authority, and the Central Bank. Neither the Oil nor the Finance ministries have "provided

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monthly reports identifying sources of available financial revenues, their use and the way cash balances are being dealt with," noted the internal investigation. Neither of these ministries had "provided reports on oil export shipments and the amounts collected in return and how the amounts were spent." The investigators could not find \$2.456 billion that the Libyan Investment Authority said it had handed over to the Treasury. The report also wondered how the Libyan Investment Authority's total holdings shrunk.

Reaction to this leaked investigation has been swift. Mohammed al-Harizy of the National Transitional Council (NTC) said that "communication" between his Council and the government has been "weak." The government has created an audit bureau under the leadership of Ibrahim Belkheir, a former professor. Belkheir told Reuters, "Corruption is not easy to uproot. It is a cultural issue that is prevailing among certain people. As they are so used to it, it does not seem to be corruption to them." There is no doubt that Libya suffers from what the Malaysian sociologist Syed Hussain Alatas called "tidal corruption," where corrupt behavior "floods the entire state apparatus including the center of power, immersing everything in its path." But "tidal corruption" has not eroded the basic moral compass of the population. That compass oriented the protestors to remain at Occupy Agoco.

## Life

Libyans complain about the lack of safety and the accumulation of dirt. The Tripoli government has been unable to exercise its authority over the militias that continue to patrol the streets of the various cities. The lack of central authority has meant a collapse of the judiciary. An Amnesty International report from February 2012 ("Militias Threaten Hopes for a New Libya") points out that while they can account for 2,400 detainees who have not been brought up on any charges, "the majority of detainees remain held by officially recognized military and security entities and by militias operating outside the law." Among them is Saif al-Islam Gaddafi. On May 1, the U.N. Support Mission in Libya (UNSMIL) and its chief Ian Martin raised concerns about the political prisoners and asked

the government to "establish an effective internal inspection mechanism covering all places where persons are deprived of their liberty." There was *no* press report when UNSMIL's Ian Martin told the U.N. Security Council in January that "security remains a major concern in Libya." The political prisoner issue creates a climate of impunity for the militias. If they can get away with their jails, they can get away with anything.

Ordinary Libyans are threatened by the presence of the armed militias on their streets, as they have to walk by piles of trash, a symbol of the failure of the

## **There is no doubt that Libya suffers from what the Malaysian sociologist Syed Hussain Alatas called "tidal corruption," where corrupt behavior "floods the entire state apparatus including the center of power, immersing everything in its path."**

state. The sad state of affairs with the dirt has galvanized residents to form their own organizations, such as Cleaning Up Tripoli. They cannot take on the gunmen, but they can at least sweep the streets. The sentiment among ordinary people is that the Tripoli government and the Benghazi NTC are more inclined to pay attention to the oil merchants and to foreign leaders than to the troubles of Libya. There is much truth to that.

Elections are slated for June 20. Last week, candidates began to file their papers. The Washington-based National Democratic Institute has been advising the government on elections (it held a seminar in March at the Rixos Hotel with thirty hastily assembled political parties). In late April, on the advice of their betters, the NTC banned parties "based on religion or ethnicity or tribe." The Muslim Brotherhood turned up its nose. They were poised to do well in the elections. They are fighting to overturn their banishment. Emissaries from Qatar will defend the Brotherhood's right to contest

the pools. Qatar did not become a party to the war against Gaddafi to be set aside at this juncture.

The capillaries of political power flow through the very social dynamics that the NTC has banned. They want to rig the election so that one of the pro-Western liberals wins. It is likely that, close to the election, the unpopular Prime Minister Abdurrahim el-Keib will resign in favor of Benghazi's own Fathi Baja. As a preview, on April 26, the NTC sacked the cabinet of el-Keib. Baja led the move. CP

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sure of their criminality, nor anything in their personality that in any way distinguishes them from all the other violent offenders doing ordinary time in the same institutions at the same time.

There is no inherent difference between the prisoners on death row and all the other murderers in the building. Then, what is it about them or their cases that justifies putting them to death? Why kill them rather than subject them to the same penalties suffered by all other individuals sent to prison for murder?

Nearly all criminal sanctions, from a short stay in a county jail all the way to the death penalty, are justified on the basis of one or more of six considerations:

- just deserts (they deserve the pain);
- retribution (we need to inflict the pain);
- incapacitation (by locking them up or killing them we'll keep them from doing whatever it was they were doing);
- general deterrence (by punishing them, we'll send out a warning to everyone else who hasn't done it yet);
- specific deterrence (by punishing them, we'll encourage them to behave more acceptably in the future); and
- rehabilitation (enduring this punishment and/or treatment will make this individual less likely to behave that way in the future).

Death differs from all other criminal sanctions in that it is absolute. A fine might be rescinded; a person who serves a prison sentence in error might receive compensation from the state. Nothing can amend an execution in error; it cannot be undone or mediated. No apology or sum of money compensates the victim because the victim is not able to receive either.

Advocates of capital punishment offer three further arguments to the traditional six considerations: it has symbolic importance; this is the way we have always dealt with our worst offenders; and it saves money. Not one of these justifications withstands serious examination. And none of the justifications for ordinary sanctions withstands an extension to death. Here's why:

### Symbolic Justification

"In 1868," wrote David Grann in a chilling article on what is almost certainly a recent Texas execution of an innocent man, "John Stuart Mill made one of the most eloquent defenses of capital punishment, arguing that executing a murderer did not display a wanton disregard for life

but, rather, proof of its value. 'We show, on the contrary, most emphatically our regard for it by the adoption of a rule that he who violates that right in another forfeits it for himself,' he said. For Mill, there was one counterargument that carried weight – 'that if by an error of justice an innocent person is put to death, the mistake can never be corrected.'"

In 1979, political scientist Walter Berns told us Mill needn't have worried. The issue, Berns said, wasn't whether or not the death penalty deterred crime or whether or not it could be administered fairly, but rather that the death penalty lends majesty to the law because it is the only punishment in the criminal justice armamentarium that is absolute and irreversible. The accidental execution of someone guilty of nothing, said Berns,

**The accidental execution of someone guilty of nothing, said Berns, is small price to pay the death penalty's ratification of a procedure that demonstrates the majesty of the law so well.**

is small price to pay the death penalty's ratification of a procedure that demonstrates the majesty of the law so well.

Berns' argument fails in that his two fundamental justifications are nothing more than assertions. His first assertion is that the criminal justice system lacks majesty if it isn't willing even to kill the innocent; his second is that even if the system is in need of majesty, the death penalty is the only instrument that might provide it. Would you put a knife to someone's throat on the basis of those assertions? Berns gives sophistry a bad name.

### Traditional Justification

Or, "We have always had the death penalty. When Moses comes down the mountain and finds the Israelites adoring the golden calf, he orders, and gets, mass executions of the guilty. And there have been executions here since colonial times. So, why should we abandon it now?"

Unless the argument is that anything once done must be forever redone, that is a historical observation, not a justification for killing or anything else. Recollection of actions in the past is never sufficient, in and of itself, to legitimize action in the present. For most of the history of this country, women and blacks could not vote or own property; there were schools, clubs and hotels that were proud to let the world know they did not admit Jews or Catholics; there were hospitals in which people who behaved oddly were treated with lobotomies, electroshock, and ice baths. The Supreme Court has long used evolving standards of decency as the rationale for changing a long-standing practice that comes to be seen as barbaric, or is taken as offensive, or understood as harmful to society. Until the *Furman* decision, many states, including Texas and California, executed for rape.

### Incapacitation Justification

"Killing the killer will keep the killer from doing it again." Yes, but so will strict lockup (as at the Polunsky Unit), and strict lockup is far cheaper and, in the rare (but not unknown) case of error, allows at least some recompense. No absolute punishment should be embraced without considering the principle of Occam's Razor: if something simpler will serve the same end, or serve it better, why complicate things? The decrease in death penalties in jurisdictions where life without parole is introduced as an option suggests, as we noted earlier, that many jurors aren't interested in killing defendants so much as they are in keeping them off the streets. And the relative lack of violence by commuted and paroled condemned prisoners suggests they're not that likely to do it anyway. "While incapacitation may have been a legitimate rationale in 1976," Justice John Paul Stevens wrote in 2008, "the recent rise in statutes providing for life imprisonment without the possibility of parole demonstrates that incapacitation is neither a necessary nor a sufficient justification for the death penalty."

### Just Deserts, Vengeance & Sanitation Justification

Vengeance is grounded in a vague notion of *lex talionis*; the offender shall be

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punished in kind. Desert means you deserve it, so we're going to do it to you. Basing punishment on desert rather than vengeance has a nicer tone to it – "This isn't something we're doing; it's something you earned" – but it comes to the same thing.

One of the men in J-23 ward in Ellis Prison put the sanitation argument this way: "There are people that need to be killed just 'cause they were mean sons of bitches. That's the way I feel about it. It doesn't have anything to do with deterrence or with morals or religion. It's the fact that the son of a bitch ought to know better."

One problem with vengeance and sanitation as justifications for execution is inequity: if the punishment of a long prison sentence or life without parole for murder is reasonable and just for 99 per cent of the people convicted of murder, why should 1 per cent, whose crimes differ in no substantial way, be put to death? Death for an extremely small and mostly random (and partly racially selected) subset of that group is proof of the system's capriciousness, not its fairness or justness. So is the preference for white victims over victims of color, and the difficulty poor defendants have getting adequate representation at trial.

What kind of sanitation are we getting if hardly anyone in the category is ever subject to it? Why is sanitation by death preferable to sanitation by life in prison? Do we want to be in the "social sanitation" business? Who is getting the vengeance? The guards who handle the condemned prisoner in the death house, the technicians who turn the valves letting the poison into the veins, the warden who makes sure the process takes place according to the rules – they are all insulated from any connection with the crime, the victims and the condemned. If they have any direct connection to the case, they're excused; they are specifically precluded from the role of avenger. Moreover, the killing occurs years after the event.

Does the victim's family get to own the vengeance? Are victims with family owed more vengeance than victims without? (A study published in 2011 indicates jurors who view victim impact evidence in the punishment phase are far more likely to vote the death penalty.) What about a victim that had no family to give victim impact information? If there's nobody

other than a prosecutor asking for vengeance by death for a particular murder victim, why are we doing it?

## Money Justification

This rationale goes, "It's cheaper to kill them than support them for the rest of their lives." But it isn't; the death penalty is more expensive than the longest prison term. It might be cheaper if prisoners were marched out of court after sentencing, put up against a wall and shot, or forced to their knees and beheaded, as is the practice in some places. But that is not the way it is done here, nor will it be. The way it is done here may get polished or tuned, but it is not going to change substantially in the foreseeable future:

## According to a 2009 Death Penalty Information Center report, the forty-four executions the state of Florida carried out between 1976 and 2000 cost the state \$24 million each.

there will be appeals, several of them, and they will take years, and while they are taking their slow turn through the courts, the condemned will spend years in prisons that are not only far different from any other, but far more expensive to maintain than any other. Their cases will involve ever more resources of the courts, prosecutors, public defenders, and the entire criminal justice bureaucracy than the cases of ordinary defendants on trial for cases different from theirs in no substantial way.

According to a 2009 Death Penalty Information Center report, the forty-four executions the state of Florida carried out between 1976 and 2000 cost the state \$24 million each; North Carolina death penalty cases cost the state \$2.16 million more per execution than non-death penalty cases leading to sentences of life imprisonment; and Texas executions cost three times as much as "imprisoning someone in a single cell at the highest security level for forty years." The annual cost of maintaining a capital inmate

in California is three times the \$44,000 California spends each year on ordinary state prisoners. These aren't optional costs or costs that can be eliminated by better management. So long as we continue doing capital trials and giving the condemned even a semblance of the access to the courts the rest of us have, these costs are mandatory. Killing by the state is and will be very expensive.

## Deterrence Justification

It is impossible to count things that do not happen, let alone supply, with confidence, the reasons unknown events did not occur. Is anyone deterred from performing murder by a death penalty that takes years to come about, who would not be equally or more deterred by a prison sentence that began immediately at end of trial? The burden is on those who would kill to show that individuals are so deterred, and no such studies have been accomplished.

Economist Isaac Ehrlich claimed to show by statistical analysis that executions resulted in a decrease in murders for a period of time after the execution was known, but scholars have found his work faulty in all major regards and essentially without meaning. Ehrlich's claims that each execution might prevent eight new homicides and the arguments demolishing them were summarized by Justice Thurgood Marshall in his dissent in *Gregg v. Georgia*. Marshall concluded his critique of Ehrlich's work: "The Ehrlich study, in short, is of little, if any, assistance in assessing the impact of the death penalty." Ehrlich's pseudoscience has, however, been frequently quoted in arguments justifying executions.

Writing of the failure of academic economists to cope with or understand the 2008-2009 fiscal crisis, Nobel laureate Paul Krugman wrote, "As I see it, the economics profession went astray because economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth." This could be said of Isaac Ehrlich's death penalty work. Studies far more reliable than Ehrlich's have shown again and again that swiftness is far more effective as a deterrent than severity. The death penalty is the most delayed, interrupted and reversed criminal sanction of all, so it is, in all likelihood, the least effective criminal sanction of all for those contemplating mur-

der.

“Despite 30 years of empirical research in the area,” wrote Justice Stevens in *Baze v. Rees*, “there remains no reliable statistical evidence that capital punishment in fact deters potential offenders. In the absence of such evidence, deterrence cannot serve as a sufficient penological justification for this uniquely severe and irrevocable punishment.” CP

This essay is excerpted from **Bruce Jackson** and **Diane Christian**’s terrific new book, *This Timeless Time: Living and Dying on Death Row in America*, Chapel Hill: University of North Carolina Press and Durham: The Center for Documentary Studies, 2012. The book includes a DVD of their groundbreaking 1979 film, *Death Row*.

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The “Arab spring” has not been just about democracy, but also about access to food. A correlation can be drawn between spikes in food prices and the January 2011 overthrow of Tunisia’s autocratic government, and, later that year, the revolt that forced Egyptian President Hosni Mubarak to resign. Egypt happens to be the world’s top wheat importer (as well as the world’s fourth biggest corn importer), one out of five Egyptians subsists on \$1 a day, and the government subsidizes bread for 14.2 million of the country’s 83 million inhabitants (Christian Parenti, “Reading the World In a Loaf of Bread: Soaring food prices, wild weather, upheaval,” [www.tomdispatch.com](http://www.tomdispatch.com)). The rise in wheat prices between 2010 and 2011 was simply devastating for Egyptian families, who on the average spend 40 per cent of their income on food.

Nearby countries are also being affected by this situation. Parenti points out that Algeria and Morocco are among the world’s top wheat importers. And Algeria, Saudi Arabia, Syria and Morocco figure among the top fifteen corn importers. The region’s ruling classes are terrified, surrounded by hungry populations that are no longer afraid of state repression.

But why are food prices out of control? There has been no shortage of explanations. Of all the voices that have

ventured theories, one of the single most respected is that of ecologist Lester Brown. The influential Mr. Brown, founder of the Worldwatch Institute and now head of the Earth Policy Institute, blames weather disasters caused by global warming, the biofuels boom, skyrocketing oil prices, and the prosperous and growing Indian and Chinese middle classes’ newly found taste for beef. But Mr. Brown and many other observers and commentators tend to downplay, sometimes even ignore, another factor: financial speculation in agricultural commodities.

“Following heavy lobbying by banks, hedge funds and free market politicians

## **If this is not due to speculation, then how else to explain this? Did whole swaths of the global middle class get on and off the Atkins diet simultaneously several times that year?**

in the U.S. and Britain, the regulations on commodity markets were steadily abolished. Contracts to buy and sell foods were turned into ‘derivatives’ that could be bought and sold among traders who had nothing to do with agriculture,” says John Vidal, environment editor of the British daily the *Guardian*. “In effect a new, unreal market in ‘food speculation’ was born. Cocoa, fruit juices, sugar, staples, meat and coffee are all now global commodities, along with oil, gold and metals. Then in 2006 came the U.S. subprime disaster, and banks and traders stampeded to move billions of dollars in pension funds and equities into safe commodities, and especially foods.”

According to Catalanian activist Esther Vivas, acknowledged as one of the most outstanding critical voices on globalization and capitalism, halfway through 2010 “food speculation was attacking again and price of food was going up again.” This “gave speculators the incentive to ask for new loans and buy commodities that foreseeably would increase rapidly in value. The very same banks, hedge funds, etc., that caused the subprime mortgage crisis are actu-

ally responsible for the speculation in raw materials and the rise in the price of food, taking advantage of profoundly deregulated global commodity markets.”

And what exactly is a speculator? It’s someone who deals in a commodity, but neither produces it nor consumes it. The speculator’s profits come from futures contracts, which are basically bets that the price of X or Y commodity will go up or down. These contracts are themselves commodities, traded among financial institutions.

The speculator does not work in the real world economy, in which goods and services are sold to real people (ostensibly) for the benefit of society, but works instead in what has come to be known as the finance economy. “The finance economy is that which makes money by speculating with money, without involving the production of something that is sold, that is, with practically no exchange of matter, work or energy,” says an educational document of Spain’s Right to Food Campaign. “In the finance economy, for example, shares are bought in order to attempt to sell them later, thus receiving an economic benefit without having contributed anything to society.”

There has always been speculation; it’s been documented as far back as ancient Greece; it is not necessarily an evil per se. But today it’s a whole different game. The difference between the speculation of yesteryear and today can be summed up in one word: deregulation. As a result of the financial deregulation of recent years, particularly the 2000 U.S. Commodity Futures Modernization Act, speculation has rapidly grown to an alarming degree. Between 2003 and 2008, investment in indexes linked to commodities was multiplied times twenty, going up from \$13 billion to \$260 billion. When there is that much speculation, the postulates of liberal supply-and-demand economics no longer apply.

If it were not for speculation, then how else can one explain rice futures going up 31 per cent in a few hours on March 31, 2008? Did the whole world get up that morning with an unusual craving for rice? How can mere supply and demand explain the price of wheat rising 46 per cent between January 10 and February 26, 2008? The price descended almost all the way to its former level in May and then hiked up 21 per cent in early June, and then went down again in August.

If this is not due to speculation, then how else to explain this? Did whole swaths of the global middle class get on and off the Atkins diet simultaneously several times that year?

In a 2010 shenanigan reminiscent of the comedy film *Trading Places*, the London-based Armajaro trading firm bought up some 7 per cent of the world's cocoa reserves – that's over 240,000 tons of the stuff, a lot of chocolate. As said before, speculators do not use or consume the commodities they trade in, so the fine folks at Armajaro had no intention of eating up all that chocolate. But they might as well have done just that because, as a result of their action, worldwide chocolate prices jumped up to their highest point in 33 years.

The mildly worded way in which Armajaro describes itself is a jewel of the English language: "We specialize in the sourcing and delivery of cocoa, coffee and sugar, and we are committed to being the partner of choice in the Agri-commodity supply chain. Our established customer base includes all of the major global chocolate manufacturers and most of the world's leading coffee manufacturers and roasters. Sugar trading is a recent addition to our business and continues to grow and develop."

According to Olivier de Schutter, United Nations Special Rapporteur on the right to food, "there is a reason to believe that a significant role was played by the entry into markets for derivatives based on food commodities of large, powerful institutional investors such as hedge funds, pension funds and investment banks, all of which are generally unconcerned with agricultural market fundamentals. Such entry was made possible because of deregulation in important commodity derivatives markets beginning in 2000. These factors have yet to be comprehensively addressed and, to that extent, are still capable of fuelling price rises beyond those levels, which would be justified by movements in supply-and-demand fundamentals. ... The logic has become purely speculative, in which investors adopt a herding behavior (they follow what other investors do), and do not made decisions anymore based on the 'fundamentals' of supply and demand. The result is more volatility, bubbles that form and bubbles that explode. This hurts in particular small producers and the poor food-im-

porting countries".

So, when it comes time to formulating effective strategies to fight world hunger, rather than joining the "send aid" bandwagon or embracing the high-tech fixes of Monsanto and the Gates Foundation, we would be better advised to take a critical look at the faulty economics of so-called free markets. Perhaps the protests of Europe's "indignados" and Occupy Wall Street are more relevant to the world's hungry than all the do-gooderism that is so much in vogue today.

"As former National Director of Intelligence, Dennis Blair told a stunned U.S. Senate Select Committee on

**Perhaps the protests of Europe's "indignados" and Occupy Wall Street are more relevant to the world's hungry than all the do-gooderism that is so much in vogue today.**

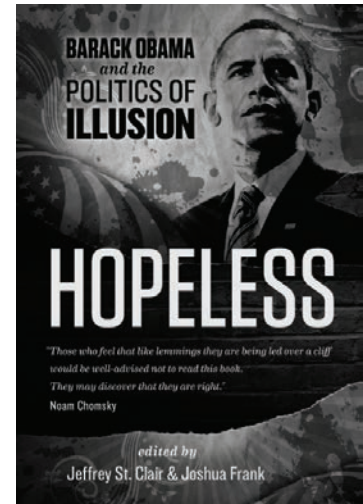
Intelligence on February 12, 2009, the global economic crisis, triggered by financial and commodity market deregulation, has replaced Al-Qaeda as the number one U.S. national security threat," said a report from the Institute for Agriculture and Trade Policy. "Blair's intelligence agencies forecast widespread regime destabilization if the economic crisis continued to fester without major policy and political reform within two years. His agencies did not specify what reforms were needed nor advocate for their enforcement. That is up to us."

In the words of Nobel laureate economist Joseph Stiglitz, "Neoliberal market fundamentalism was always a political doctrine serving certain interests. It was never supported by economic theory. Nor, it should now be clear, is it supported by historical experience."

CP

**Carmelo Ruiz-Marrero** is a Puerto Rican author, investigative journalist and environmental educator. He is a fellow of the Oakland Institute and a research associate of the Institute for Social Ecology.

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## ***Argentina Shows the Way Economic Piracy as Good Policy*** By Serge Halimi

**T**he head of state, confident after electoral victory, tells the governor of the central bank what to do, introduces foreign exchange market controls and announces that a key sector of the economy, sold off to private investors 13 years ago, is to be nationalized. Two members of the government are appointed to head this enterprise, now in public hands again, and its private owners are told to go. The European Commission, the *Wall Street Journal* and the *Financial Times* are furious about this “shabby act of economic piracy.” The *Economist* suggests that the “pirate state” should be excluded from the G20, and that its citizens (who voted in the head of state) must get visas to travel abroad.

This is not Europe. It is Argentina. As President Cristina Kirchner explained on April 16, when most of the assets of

the Spanish multinational Repsol, majority shareholder in the Argentinean oil company YPF, were about to be nationalized: “We are the only country in Latin America, and I would say in the world, that doesn’t control its natural resources.” Public ownership is not as prevalent as she suggests – Total, BP, ExxonMobil and

### **Europe would do well not to side with the Spanish multinational’s shareholders but to follow Argentina’s bold political lead.**

others are private companies – but she is thinking of earlier battles to recover common sources of wealth: Mossadeq’s nationalization of British Petroleum in Iran in 1951, Nasser’s seizure of the Suez Canal for Egypt in 1956, Boumedienne’s acquisition of Elf and Total assets for Algeria in 1971, Putin’s seizure of the Yukos company in Russia in 2003, and Hugo Chávez’s takeover of PDVSA.

Argentina’s government claims the

former owners of YPF distributed 90 per cent of its profits to shareholders. With no investment in the industry, national oil production has declined by 20 per cent since 2004; energy imports have increased 20-fold. Argentina has learned by painful experience not to rely on foreign loans (and even less on the IMF) to balance its books.

Though well received at home, Kirchner’s daring move has brought extravagant demands for compensation, threats of a commercial boycott and warnings of storms ahead. But Buenos Aires is familiar with prophets of doom. In 2001, when Argentina stopped repaying its debt and devalued its currency, it was told to expect balance of payments crises and economic ruin. Since then, its foreign accounts have been in credit, production has increased by 90 per cent, and unemployment and poverty have been dramatically reduced. Europe would do well not to side with the Spanish multinational’s shareholders but to follow Argentina’s bold political lead. **CP**

**Serge Halimi** is director of *Le Monde Diplomatique*.