To: **The Editor**, Not Published **April 3rd, 2008**
The Financial Times

From: Professor Jagdish Bhagwati
University Professor, Columbia University

Ref: **Food Crisis and Agricultural Subsidies**

Dear Editor:

Your excellent editorial on "Zoellick's blueprint for global hunger" (April 3rd) makes the important point that the reduction of agricultural subsidies by the rich countries would hurt the "net food importers of sub-Saharan Africa" by raising world food prices. But while you compliment the World Bank's trade economists for pointing this out in the teeth of "fashionable opinion", and the Bank's trade division is arguably its best, your compliment is wrongly directed.

The contrary, and erroneous, opinion that all, or most, poor countries were being harmed by these subsidies was indeed fashionable for years. It also originated with World Bank Chief Economists who also gave it legitimacy and, in tandem with the World Bank Presidents, diffused it worldwide. Suffice it to cite just one quote from countless ill-informed and angry critiques of rich-country agricultural subsidies, by my Columbia colleague Joe Stiglitz who was Mr. Wolfensohn's Chief Economist at the Bank: "subsidies in advanced countries exceed the total income of sub-Saharan Africa; the average European subsidy per cow matches the $ 2 per day poverty level on which billions of people barely subsist" (Guardian August 15, 2003). These are economically meaningless comparisons: comparing subsidies in one set of countries to national incomes in another set is economic nonsense whereas dividing subsidies by cows on the farms (when in fact they are related to output produced or exported) is a bovine idea that is actually asinine.

One can also marvel at the induced collective folly of the heads of the World Bank, the IMF and the OECD on the eve of the Cancun Ministerial Meeting of the WTO when they condemned all rich-country agricultural subsidies as "damaging livelihoods in the developing world". Oxfam, and several NGOs, also embraced the bad economics, turning it into their chief example of "unfair trade" in the world!

What has turned this gigantic folly around is the steady stream of writings that came, not from the World Bank, or from think tanks, but from academic economists with no political axe to grind or populist ambition to pursue. While I wrote against this piece of fashionable folly (Far Eastern Economic Review, January 2005 and Foreign Affairs, December 2005) and was cited to that effect in The Economist (March 23, 2005) , the principal credit for courage in rising against the thick fog of obfuscation on the subject goes to my colleague Arvind Panagariya. In many papers --- among them a brilliant op.ed in the Financial Times on August 3, 2004 which your editorialist missed – in Foreign Affairs, Foreign Policy and The World Economy during 2002 through 2005, he managed to expose the fallacy of the fashionable view, to the point where even the World Bank economists feel strong enough to have their bosses, and the developing countries that were bamboozled by credentialism and conditionality into accepting false assertions harmful to their economic well-being, face the truth.

Fortunately, the World Bank now has in Mr. Zoelllick a head who does understand international trade at a deep level. He also has, in Justin Lin, a superb developmental economist as his Chief Economist. It is highly unlikely that, once the errors of the earlier eras are forcefully underlined, they will not change the World Bank's position on these issues.

Yours sincerely,

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PS: **I leave for Stockholm for 5 days on Sunday afternoon, so I authorise you to make changes if necessary.**
But if you can run them past me tomorrow, should you decide to run the letter, I would appreciate it.