



PROMOTING LEADERSHIP IN THOUGHT
THAT LEADS TO ACTION

THE WEALTH OF NATIONS REVISITED

CADMUS

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The CADMUS Journal

The acronym of the South-East European Division of The World Academy of Art and Science – SEED – prompted us to initiate a journal devoted to seed ideas - to leadership in thought that leads to action. Cadmus (or Kadmos in Greek and Phoenician mythology) was a son of King Agenor and Queen Telephassa of Tyre, and brother of Cilix, Phoenix and Europa. Cadmus is credited with introducing the original alphabet – the Phoenician alphabet, with “the invention” of agriculture, and with founding the city of Thebes. His marriage with Harmonia represents the symbolic coupling of Eastern learning and Western love of beauty. The youngest son of Cadmus and Harmonia is Illyrius. The city of Zagreb, which is the formal seat of SEED, was once a part of Illyria, a region including what is today referred to as the Western Balkans and even more. Cadmus will be a journal for fresh thinking and new perspectives that integrate knowledge from all fields of science, art and humanities to address real-life issues, inform policy and decision-making, and enhance our collective response to the challenges and opportunities facing the world today.

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The Risk Institute - Istituto del Rischio

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Editorial Office: 5, Pudukuvai Sivam Street, Venkata Nagar - Pondicherry 605011 - India

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E-mail:

editor@cadmusjournal.org

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From European Union to World Union: Building Effective and Democratic Global Governance

ACTION for a World Community for Food Reserves

John McClintock*

Civil Servant, European Commission;

Co-Founder of ACTION for a World Community for Food Reserves

Abstract

Sovereignty-sharing has placed European countries in a position to resolve their common problems through law, not war. As a result, the EU member states now live in peace together and take peace, justice and order for granted. The system of global governance is dysfunctional – some states are failing and the Security Council lacks legitimacy. Humanity does not have a mechanism to resolve its global problems through law, making it difficult – if not impossible – to resolve global problems such as famine, hunger, climate change, war and terrorism, nuclear proliferation, regulation of corporations – including banks, destruction of fish stocks, and population. Sharing of sovereignty at the global level can address these problems, starting in the area of food security, then proceeding to climate management and other fields. Shared sovereignty can eliminate famine and hunger globally.

1. Introduction: The European Union is a Success Story

The European Union, despite past and present crises, is one of the success stories of our time and shows that countries *can* work together to resolve common problems. The European Union is democratic – each and every member country has a say on the rules and the European Parliament must also give its consent. This is in stark contrast to the United Nations where there is no Parliament and only 15 countries have a seat in the Security Council.

Secondly, the European Union is able to hold its member countries to the rules. Once rules are made they become ‘binding and enforceable.’ Again, this is very different from the United Nations in which the law may be binding but is not enforceable. If a government of an EU member state does not respect the rules, it has to answer for itself in front of the judges of the European Court of Justice. On several occasions, member countries have had to pay a stiff financial penalty.

* The author is currently an official of the European Commission and has written this paper in his capacity as a member of ACTION. The views expressed in this paper do not implicate the European Commission in any shape or form whatsoever.

2. The Cleaning of the River Rhine: An Example of what Sovereignty-Sharing can Achieve

The quintessential feature of the European Union is that its member countries share sovereignty in a limited number of areas. What does this somewhat theoretical notion mean in the real world?

The cleaning of the Rhine River – the busiest waterway in the whole of Europe – is a practical example of what can be achieved when countries share sovereignty. The river flows through Germany and France and empties itself at the port of Rotterdam in the Netherlands. Many cities and industries, such as the coal mines of the Ruhr Valley, occupy its banks. For hundreds of years the river was used as a free sewer and the level of pollution was very high. The last salmon disappeared in 1935.

After the Second World War, there was an effort to clean it up. Governments of the countries concerned formed the International Commission for the Protection of the Rhine. But despite the International Commission's best efforts, pollution steadily worsened. When it came to governments taking action, the International Commission – like all inter-governmental organisations – could exhort but could not oblige.

In 1986, a chemical factory caught fire and water from the fire hoses washed twenty tonnes of pesticides into the river. There was extensive damage and thousands of fish were killed.

After this disaster, the International Commission drew up the Rhine Action Plan Against Chemical Pollution. Among other measures, it proposed a strict regime on chemical discharges and that toxic substances be transported only in double-walled vessels. But the fundamental problem remained – while the governments were under a moral obligation to implement the proposals, they were not under any legal obligation to do so.

One year later, however, the European Union (then the European Community) decided that it should adopt the plan as part of its broader programme to clean up Europe's environment. Thereupon, the plan became part and parcel of European Union law and, as a result, had the status of 'binding and enforceable law.' From this point on, if a government did not keep up with the plan, it risked having to appear in front of the Court of Justice.

This meant that having previously paid lip-service to cleaning up the river, the governments finally started to take their responsibilities seriously. The river was soon cleaned up and fish returned to water.

This is a practical example of what happens when governments keep up their promises. Official rhetoric *can* be transformed into action. But without the sharing of sovereignty in a new legal framework of the European Union, it is likely the Rhine would have remained a polluted and dirty sewer.

3. A Sovereignty-Sharing World Community?

But could the same arrangement be made global? Could Europe's system be adopted by

the world as a whole? We believe it could – to everybody’s great benefit.*

We are proposing that what has been done in Europe can now be done for the world as a whole. Essentially, we are proposing that – incrementally and gradually – countries share parts of their sovereignty and that they use the pool of shared sovereignty to make, through a democratic process, rules that are binding and enforceable.

This is an ambitious idea and I have tried to explain it in some detail in my book entitled *The Uniting of Nations: An Essay on Global Governance*, published by Peter Lang in 2010 (third edition).

A putative World Community has to start in a particular area. But which one? Cleaning up rivers, as in the case of the Rhine? Nuclear disarmament? Global poverty? Climate change? In our view, we could begin in the domain of global food security.

4. Global Food Security

When food prices are volatile, many problems ensue. Food becomes unaffordable – leading to acute hunger, malnutrition and death. The first to suffer are poor families, irrespective of whether they are in poor or rich countries. (We should not forget that some families in the United States and in the European Union find it difficult to afford enough to eat.)

Hungry people quickly become angry and in recent years, due to food price volatility, the world has witnessed many food riots (e.g. Haiti, Bangladesh, Cameroon 2007; Egypt, Tunisia 2011). People have been killed and buildings set on fire.

But price volatility has effects that are more pernicious than unaffordable prices. Farmers need price stability to invest in their farms to make them more productive. A reluctance to invest in farming is the last thing that the world needs; it needs the opposite: farmers who are confident about the future of farming and are willing to invest in their farms. Farmers will then be in a position to feed a growing world population and to adjust their farming methods to the exigencies of climate change. Stable price thus becomes a necessity.

5. What can Governments do to avoid Unaffordable Food Prices?

What can a country do when the price of food escalates on its national market and its citizens start to find the price unaffordable? If the country is rich, it can go to the world market, purchase food and import it. By purchasing on the world market, the country may push up the world market price for everybody else, which may cause difficulties to other countries that need to import.

If a country is an agricultural exporter – such as Argentina, Australia, Brazil, Canada, Thailand and the United States – then it can restrict its exports of food. This will stop the price of food from escalating on the national market. Of course, it means that less food is offered to the world market and the price on the world market may increase. A national solution can bring, in its wake, a global problem.

* By ‘we’, the author refers to ACTION for a World Community for Food Reserves – a not-for-profit, non-governmental organisation established in 2011 under Belgian law. See www.world-community-for-food-reserves.org

What about countries that are neither rich enough to augment their supplies from the world market nor are agricultural exporters? Such countries – there are many, many of them – can appeal to the United Nation’s World Food Programme (WFP) for food aid. If the WFP has funds, it buys food from the market and gives it to the government.

There are several problems with food aid. Firstly, it takes time to process applications, to purchase grain and to ship it to the affected country. Food aid can arrive months after the crisis has passed. Secondly, the WFP is reliant on donations of money from governments. Sometimes they give enough, but sometimes they do not. This has led to tragedies. For example, it was reported in June 2009 that:

‘The United Nations World Food Programme is cutting food aid rations and shutting down some operations as donor countries that face a fiscal crunch at home slash contributions to its funding.’

‘In recent weeks the WFP has quietly started reducing rations and closing down distribution operations to conserve cash. It reduced emergency food aid rations in Rwanda, for example, from 420 g to 320 g of cereals per person a day...The cost of food commodities such as corn and soya bean has surged this week to levels not seen since the start of the food crisis in late 2007.’¹

Thirdly, by its very reliance on the market for supplies of grain, the organisation may be as much part of the problem as part of the solution. The WFP frequently needs to buy when markets are tightening. But to buy on a tightening market simply bids up the price for everybody else.

The fourth problem is a legal one: there is no accountability. It is impossible to hold countries to their promises to give funds. It is also impossible to properly investigate countries when there are allegations of corruption in the use of food aid. The WFP has no powers to investigate allegations or to bring charges against individuals.

Clearly, the world has not yet found an effective answer to the problem of food price volatility.

6. When Stocks are Low, Prices Tend to be Volatile

To solve price volatility we have to be sure that we know what causes it. Why is the price of grain volatile in the first place?

The price of grain fluctuates because supply and demand change. The reader will remark: the supply and demand of all goods change – what is so special about grain?

Grain is special because a small change in supply and/or demand induces a big change in price. The reason for this is that, in the short term, both the supply of grain from farms and the demand for grain for consumption are what economists term ‘price inelastic’.

It follows that if the world is ever going to reduce volatility, we have to bring about a situation such that supply and demand are price *elastic*, not price inelastic.

This can be done by storing grain. If, in addition to grain being supplied by farms it can also be supplied from grain stores, then the supply of grain is no longer price inelastic. It is

price elastic. By the same token, if the demand for grain is not only for consumption (i.e. for food and livestock feed) but is also for storage, then the demand for grain is no longer price inelastic. It too becomes *price elastic*. The fact that there are people or public agencies buying and selling grain for storage means that the market is no longer so brittle and sensitive to a slight change in the amount supplied or demanded. There is, in effect, a sort of sponge or buffer that is able to absorb changes in supply and demand without causing prices to go up and down dramatically. Prices do change, reflecting market fundamentals, but do so relatively gently and moderately.

7. Historical Evidence Regarding The Role of Stocks

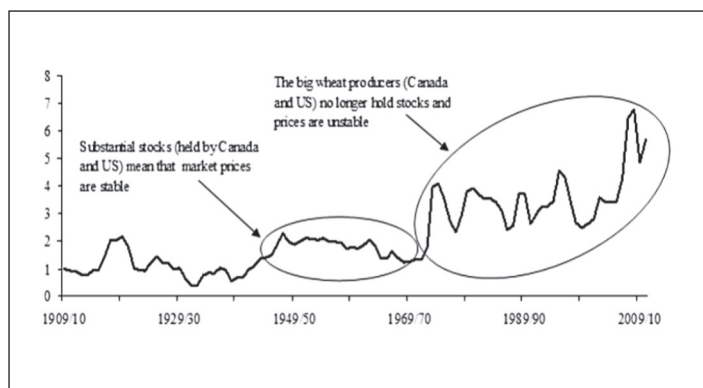
Figure 1 shows the price of wheat over the last hundred years (the prices are those received by US farmers).²

After the Second World War and until the 1970s, the price was relatively stable. Whilst prices varied from one year to the next, there were no sudden hikes or rapid falls. Why were prices stable for this 20-year period? Because, the major countries of the world wanted stability and predictability. To this end, they concluded an International Wheat Agreement which, to some extent, brought order to international trade in wheat. In addition, Canada and the United States decided to hold fairly substantial stocks of wheat which acted as a buffer, absorbing changes in supply and demand and thereby helping to stabilise world market prices.

Stable prices were advantageous to the world as a whole. However, the cost of price stabilisation was borne by these two countries – Canada and the United States. It was not a cost that was shared between all beneficiary countries.*

Prices were stable until the early 1970s when Canada and the United States decided not to continue to hold substantial stocks. They considered that the benefits of stable prices did not warrant the costs to their own economies and public budgets. As a result, the price of wheat started to vary significantly from one year to the next. There were no longer any stocks that could act as a buffer.

Figure 1: The price of wheat (nominal, US \$ per bushel)



* The beneficiary countries were all those which engaged in wheat trade, either as importers or exporters. The benefit was greater price stability.

8. What may we Expect in the Future?

Price volatility may become worse because global warming could reduce crop yields meaning from time to time there may be less food available.

9. Grain Stocks – Should they be Private or Public?

As told in the Book of Genesis, Pharaoh and Joseph in ancient Egypt may not have known about price elasticity but they certainly realised that stocks were indispensable. Just as stocks were used to avoid price volatility several thousand years ago, so they can be used for the same purpose today and it is this that we propose. But should governments do it or should storage be left to the private sector?

Generally speaking, private grain storers store only that quantity of grain that they are reasonably sure of selling at a later date at a profit. This is the quantity that they deem the market can absorb until the next harvest comes in. In calculating how much to store, private grain storers assume that the next harvest will be a normal harvest. To assume otherwise, for instance, to assume that the next harvest will be bad would be to take the risk of ending up storing more than the market can absorb and of making a trading loss.

The problem for society, of course, arises when the next harvest does, indeed, turn out to be bad. Then prices escalate, because the amount of grain that private storers have in store is not sufficient to cover the harvest shortfall. The inability of private storers (of the ‘free market’) to resolve this societal problem is an example of a market failure and, like all other market failures, can be rectified only by public (i.e. government) action. The storage of grain – at a level over and above that which the private sector is willing to undertake – is therefore a public good to be supplied by governments.

Rather than each country having its own reserve stock, for several reasons it would make sense to have one global stock upon which governments could call as and when necessary. Firstly, many countries are too poor to establish their own national stocks. Secondly, in some countries, because of local pressures, courts of law have difficulty following up cases of alleged corruption. Thirdly, compared to the sum total of individual national stocks, a global stock would provide greater cover for the same cost (aggregation of risk and the insurance effect).

“We therefore propose that a new organisation be set up, perhaps called the ‘World Community for Food Reserves’”

10. Our Proposal

Our proposal is for a reserve stock of grain, held at the world level. If international stocks are going to be properly and soundly managed, they have to be under the control of a supranational body, i.e. a body in which there is a limited sharing of sovereignty. This confers on the body a measure of authority over its member countries so that it can oblige them to act in the broad *global* interest of humanity as a whole rather than in the *national* interest of the country. It is for this reason that if a global grain reserve is to be properly managed the

managing body has to be sovereignty-sharing rather than inter-governmental.*

We therefore propose that a new organisation be set up, perhaps called the ‘World Community for Food Reserves’. This organisation would be responsible for managing the stocks – for their establishment, release and replenishment. Its member countries would share sovereignty in this particular domain.

The members of the World Community for Food Reserves would be individual countries with the European Union as a single member in its own right (rather than its 27 member states).

There are already some eight international organisations working in the field of food. Instead of setting up yet another international organisation, would it not be logical to charge one of the existing organisations with the task of managing reserves?

Alas, none of the existing organisations are in a position to set up and manage a reserve stock of food. They do not have the requisite powers and it is extremely unlikely that they will ever receive those powers from their member states. The existing organisations are inter-governmental – just like the International Commission for cleaning up the Rhine. They can exhort, cajole and try to persuade governments to take particular actions but they cannot oblige them to do so. The proper management of a global food reserve requires governments to stick to the rules. Only a sovereignty-sharing body can ensure this.

The big difference between this proposal and the existing international organisations is that *the World Community would have teeth* because its rules would be binding and enforceable.

11. A Gradual Enlargement in Membership

Initially, the new organisation is likely to have a few members only, but if it becomes successful, it would grow – success being the best advertisement to attract aspiring members. The Community would have an executive commission, a council representing its member states, a parliamentary assembly representing the citizens and a court to hear cases of alleged infringement. All the member countries would have a guaranteed seat and a guaranteed voice in the council. The principles of democracy would apply. In the event that it is not possible to reach a decision by consensus – on, say, the amount of money that each country should contribute, or the conditions under which grain could be released – a vote would be taken by qualified majority voting.

The Community would be open to all countries that meet two conditions. Firstly, they must be *willing* to share sovereignty in the field of food stocks. Secondly, they must be *able* to share sovereignty in this field. In practice this means that their governments must have the administrative capacity to manage reserve stocks of food.

What would the World Community for Food Reserves do with its stocks? Would they be sold to governments or given away directly to the hungry? How would it all work in practice? Figure 2 shows the basic operations.

Step 1: The Community procures a stock of grain and stores it in its own warehouses. The warehouses are sited in its member countries.

* For an explanation of how countries can share sovereignty, see: Beginner’s guide to sovereignty sharing, available on website: www.world-community-for-food-reserves.org

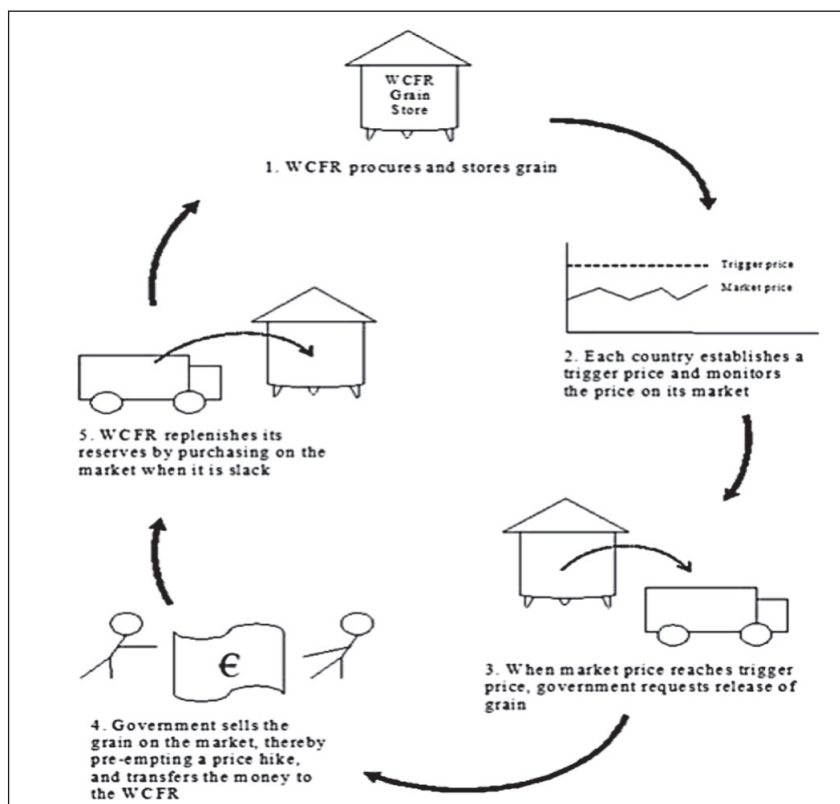
Step 2: The Community has agreed, in advance, with each government a national ‘trigger price’. This is the price at which grain becomes very expensive for, say, the poorest quartile of the urban population. Each government monitors the price of grain on its market.

Step 3: If the market price reaches the ‘trigger price’ then the government submits a request for the release of grain from the Community’s stock. If the request is deemed to be justified, the Community authorises the release of grain to the government.

Step 4: The government does not give the grain to its citizens. Rather, it sells the grain on the market and returns the money to the Community.

Step 5: When the market price has started to fall (after the next harvest, assuming that it is a normal harvest) the Community replenishes its stock by buying grain on the local market. The replenishment has to be done when markets are slackening to avoid causing the very problem that this proposal seeks to avert (unaffordable prices).

Figure 2: How the World Community for Food Reserves would function



12. Conclusion

This is our thesis: firstly, the world is lacking the means to address global problems in an efficacious manner; secondly, the evidence of the European Union demonstrates that sovereignty-sharing works – the Rhine is just one of many examples; and thirdly, that we could start to share sovereignty at the global level with food security (and subsequently addressing climate change, global poverty, war and conflict and other world problems).

Perhaps, we can learn from the European Union's experience, recalling the words of Jean Monnet, its founding father: "The European Community is but a step towards the way we will organise the world of tomorrow." *

"Perhaps, we can learn from the European Union's experience, recalling the words of Jean Monnet, "The European Community is but a step towards the way we will organise the world of tomorrow.""

Author Contact Information

Email : john.mcclintock@world-food-security.org

Website: www.world-community-for-food-reserves.org

Notes

1. Javier Blas, "Funds crunch threatens world food aid," *Financial Times*, 11th June 2009 <http://www.ft.com/cms/s/0/524d50da-56ae-11de-9a1c-00144feabdc0.html>
2. USDA ERS, Wheat Data: Yearbook Tables U.S. and foreign wheat prices, Retrieved from <http://www.ers.usda.gov/Data/Wheat/YBtable20.asp>

* In original French: "... La Communauté elle-même n'est qu'une étape vers les formes d'organisation du monde de demain."

At the root of the current crisis are not subprime mortgages, credit rating agencies, financial institutions or central banks. It is the Great Divorce between finance and economy, which is a subset of the widening precipice between economy and human welfare.

The Great Divorce: Finance and Economy

The Limits to Growth proved the inherent limitations of the existing industrial model of economic growth, not any inherent limits to growth itself.

Garry Jacobs & Ivo Šlaus, From Limits to Growth to Limitless Growth

Focusing on growth of the part without reference to its impact on the whole is a formula for social disease.

Economic Crisis and the Science of Economics

The idea of nuclear deterrence is a dangerous fallacy, and that the development of military systems based on nuclear weapons has been a terrible mistake, a false step that needs to be reversed.

John Scales Avery, Flaws in the Concept of Nuclear Deterrence

The first step into the direction of a world parliament would be the establishment of a Parliamentary Assembly at the United Nations.

Andreas Bummel, Social Evolution, Global Governance & a World Parliament

The evolution from physical violence to social power to authorized competence and higher values is an affirmation of the value basis of law.

Winston P. Nagan & Garry Jacobs, New Paradigm for Global Rule of Law

We propose that a new organisation be set up, perhaps called the 'World Community for Food Reserves'.

John McClintock, From European Union to World Union

A proper and well accepted definition of (forms of) misconduct, reliable means of identification, and effective corrective actions deserve a high priority on the agenda of research institutes, universities, academies and funding organs.

Pieter J. D. Drenth, Research Integrity

The clearing house should encourage thinking ahead so that law and governance can attempt to accommodate the numerous challenges of globalization, many new technologies, and the emerging Anthropocene Era.

Michael Marien, Law in Transition Biblioessay

The economics of growth must be replaced by equilibrium economics, where considerations of ecology, carrying capacity, and sustainability are given proper weight, and where the quality of life of future generations has as much importance as present profits.

John Scales Avery, Entropy & Economics

A strong and strategic knowledge system is essential for identifying, formulating, planning and implementing policy-driven actions while maintaining the necessary economic growth rate.

Jyoti Parikh, Dinoj Kumar Upadhyay & Tanu Singh,

Gender Perspectives on Climate Change & Human Security in India

The very possession of nuclear weapons violates the fundamental human rights of the citizens of the world and must be regarded as illegal.

Winston P. Nagan, Simulated ICJ Judgment

The emerging individual is less deferential to the past and more insistent on his or her rights; less willing to conform to regimentation, more insistent on freedom and more tolerant of diversity.

Evolution from Violence to Law to Social Justice

It is more rational to argue that developing countries cannot afford unemployment and underemployment, than to suppose that they cannot afford full employment.

Jesus Felipe, Inclusive Growth

The tremendously wasteful underutilization of precious human resources and productive capacity is Greece's most serious problem and also its greatest opportunity.

Immediate Solution for the Greek Financial Crisis

The Original thinker seeks not just ideas but original ideas which are called in Philosophy Real-Ideas. Cadmus Journal refers to them as Seed-Ideas. Ideas, sooner or later, lead to action. Pregnant ideas have the dynamism to lead to action. Real-Ideas are capable of self-effectuation, as knowledge and will are integrated in them.

Ashok Natarajan, Original Thinking

Given the remarkable progress of humanity over the past two centuries, the persistence of poverty might not be so alarming, were it not for the persistent poverty of new ideas and fresh thinking on how to eliminate the recurring crises, rectify the blatant injustices and replace unsustainable patterns with a new paradigm capable of addressing the deep flaws in the current paradigm.

Great Transformations

Our global systems can be resilient if they are based not only on efficient markets that can cope with future crises, but on principles that also allow for the projection of civic will and preference onto the global level. Stability and resilience are laudable goals but they need to be achieved in all three dimensions, the financial, the economic and the social, in a participatory fashion.

Patrick M. Liedtke, Getting Risks Right

Continued . . .
