

WHO PAYS THE BILL?

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outline

- ***the bill* ($P \times Q$) in unfettered markets without externalities**
- ***the bill* ($P \times Q$) in unfettered markets with traditional production externalities**
- **the food dollar bill**
- **adding reproductive and consumption externalities**
- **comments and implications for policy**

externalities

Externalities are said to arise when individuals and firms are involuntarily affected, either favourably or unfavourably, by the decision of another party –where the decision maker causing the externality is not, under existing laws, penalized for the damage imposed upon others (or rewarded for any benefits conferred)

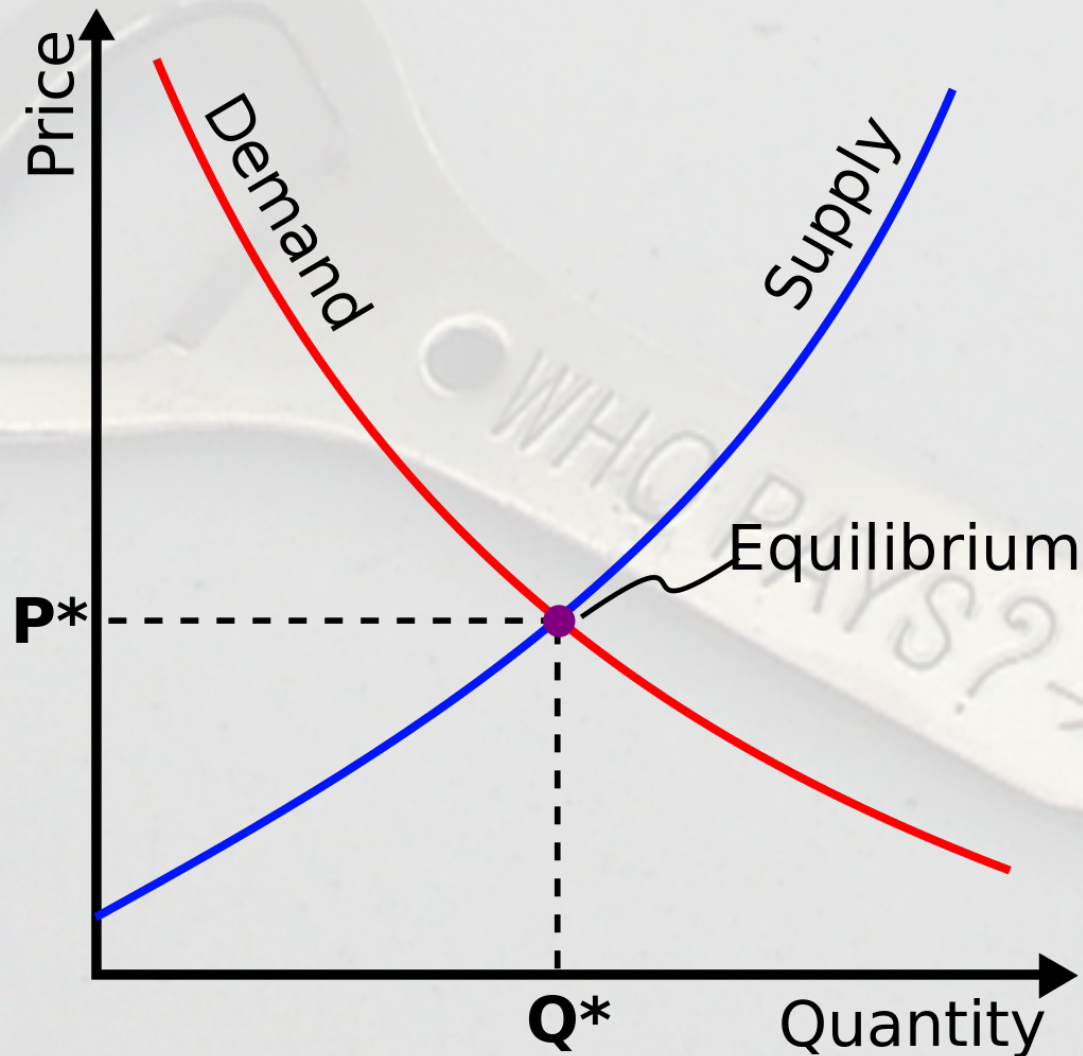
Negative externalities translate into costs that generally are not recognized and not accounted for in the retail prices (of food for instance)

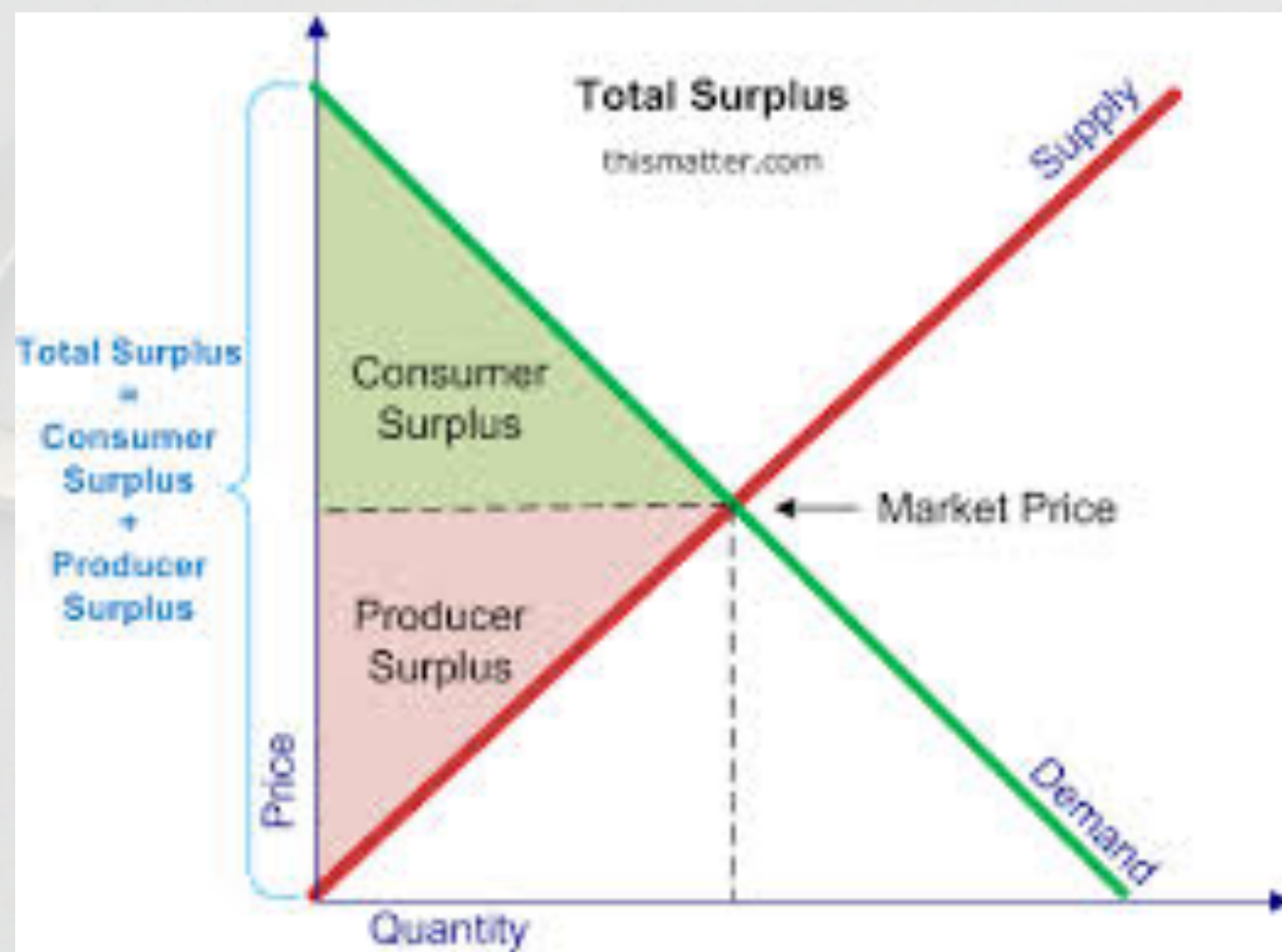
Some of these external costs are internalized (i.e. accounted for) in ways that do not involve increasing the relevant retail prices (they can show up elsewhere, e.g. in our water bill or health insurance premiums)

Many of these costs are borne involuntarily by society at large

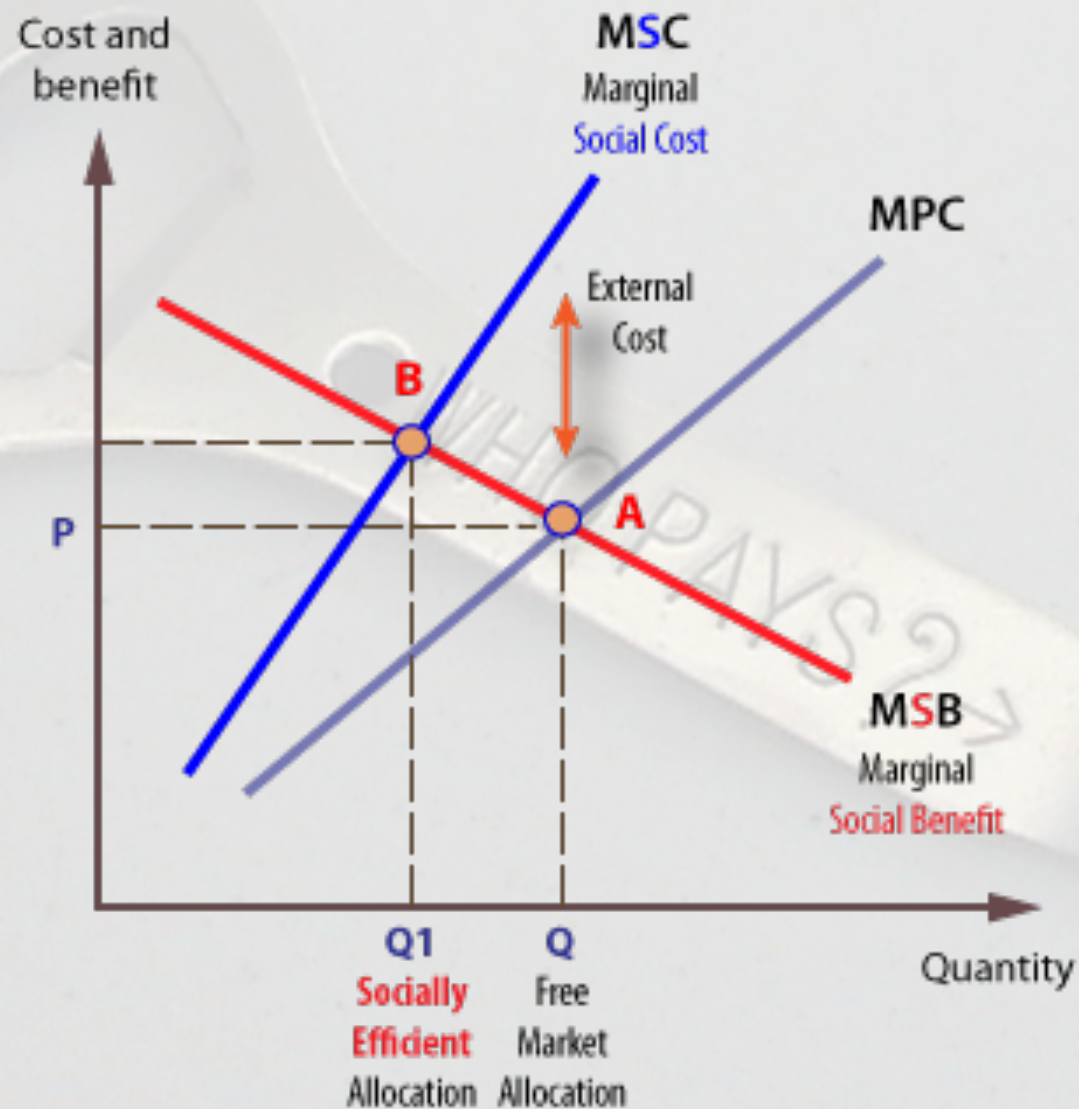
While the external costs of food are large and pervasive, food and agriculture also have positive externalities; both benefits and costs, moreover, are relative to a given *status quo*, which is not necessarily an idealized natural ecosystem.

The bill: unfettered markets, no externalities





The bill: unfettered markets with externalities



The New Food Dollar Series:

Farm share measures proceeds of farm commodity sales tied to a food dollar expenditure and sold to non-farm establishments.

Marketing bill is the market value added to farm commodities that are embodied in a food dollar expenditure, measured as \$1 minus the farm share.

2013 Food dollar: Marketing Bill (nominal)



Source: USDA/ERS

The New Food Dollar Series: The Industry group series identifies the contribution from 10 distinct industry groups to the final food dollar

2013 Food dollar: Industry Group (nominal)



Source: USDA/ERS

reproductive externalities

Externalities that promote fertility, like for instance the institution of fosterage, polygyny or weak conjugal bonds, patrilineality and communal land tenure in sub-Saharan Africa

consumption externalities

Externalities that are internal to the drive we have for consumption, e.g. as in the case of conspicuous consumption (or consumption that serves as status symbol) or consumption of relational goods that serve as an anchor for the desire and need to belong

See Partha Dasgupta and Paul Ehrlich, SCIENCE, 2013

final remarks

- findings from LCA exercises
- pervasiveness of externalities
- variations of effects across time and places



the true cost of food falls on society at large and its most vulnerable groups (including future people)

policies need both conventional and new unconventional tools in order to internalize externalities and promote sustainable behaviour