

KERATAN AKHBAR

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Nonsense economics

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How not to solve problems

THERE is a lot of nonsense economics in expensive Malaysia. One such is "Don't Buy It" economics, an idea that seems to suggest that when more people stop buying things that have become unaffordable, their prices will eventually come down. No, prices don't come down. If everything remains the same, to use the language of the dismal science, they never do. Besides, what if these items are essentials, like grains? But this is a small danger. A bigger one spawned by "Don't Buy It" economics is this: it takes away the mind of the government from what's really wrong. There is plenty that can be made better, though not everything is the government's responsibility.

Sure, prices at food outlets are getting higher. But this is to look at just one end of the supply chain. To look at the fork-end is to miss the miseries of the farmers and everyone in between. Farmers are in the farming business to make profits. And we must make it easy for them to turn a profit from their businesses so long as the profits are reasonable. Ditto the movers of food and retailers. The more farms stay in business, the better our food security. But the costs of feed and fertilisers are putting lots of pressure on this low-profit, high-risk profession. Some have hung up their hoes. A country that is serious about food security must go to their aid. No, we are not suggesting subsidies. These can help only for a moment. The farmers need a permanent solution, like making feed and fertilisers available locally.

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Farmers and breeders say fertilisers and feed make up as high as 70 per cent of their production costs. Imagine the savings that get passed to the consumers. Until then, both will keep passing the cost all the way to food outlets. And food outlets, especially small operators, can't absorb them and still make a decent profit. Indecent profit is another story.

Thankfully, the greedy are few. Yet, there are economists out there who peddle some peculiar economics of their own. To this curious class, prices are not determined by cost of production, but by the interaction of the beloved supply and demand curves. Really? The market wishes the prices into being? How unreal they can get? To them we say this: just grab the hoe and be a farmer for a day. Economics doesn't get hatched in the Ivory Tower. It does on the farm.

"Don't Buy It" economics isn't going to solve our food prices crisis. Being food secure will. We must become an agricultural nation again. We can't do that unless we put our money where our mouth is. According to Kearney, a consulting firm, foreign investment in the sector was a dismal RM700 million in 2021, a mere 1.5 per cent of the total inflow of dollars. More dollars head to Indonesia and Vietnam. We must know why. Not all is lost, though. The 2023 Budget that never was allocated RM5.32 billion to agriculture and food industries. We hope the born-again 2023 Budget, expected to be tabled next month, would be more ambitious. If we are willing to spend RM60 billion every year on food import bills, surely we can spend a good fraction of it on the industry that would help Malaysia save billions of ringgit. Growing our own food isn't just importing less, but also having it when we need it.