

The True Cost of Food: Valuing the Pricelessⁱ

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When I was first contacted about speaking at this conference, “The True Cost of American Food,” I was asked if I would be willing to estimate the “external” economic costs of different farming systems. Since I am an agricultural economist, the organizers wanted me make some estimates of the economic value of natural resources – soil health, water, air, and sunlight – that are not paid for by farmers but are essential for agricultural production. Since farmers don’t pay for these things, their costs are not reflected in the prices of agricultural commodities. Thus, the prices Americans pay for food in supermarkets and restaurants do not reflect the “true cost” of farming. The basic reasoning is that if the things of nature belongs to any of us, they belongs to all of us, and we are not all being fully compensated economically for their use. Society also contributes to the value of food in ways that are not reflected in food prices – highways, legal systems, rules of trade, and a variety of government subsidies. Food prices don’t reflect the cost of essential public services that we must pay through taxes.

The economic costs of food production also fail to include the value of the *damages* inflicted on nature and society by food production. We bear some of the unpaid economic costs of agricultural pollution in terms of costs of health care and lost incomes due to “sick days.” Economic exploitation of farm workers and the economic and social decay of farming communities also place an economic burden on taxpayers through a variety of public services, such as Medicaid, Supplemental Security Income, and Food Stamps. Those of future generations will also bear the economic costs of the ecological and social degradation of the natural and societal resources they will need for future food production. Cheap food is not really as cheap as it seems. Food prices simply do not reflect the true cost of food.

Attempts by economists to account for unpaid economic costs is referred to as “internalizing economic externalities.” Once unpaid *external* costs, or benefits, have been assigned economic values, they can be *internalized* by using a variety of government programs or public policies. Pollution taxes and carbon credit are examples of government policies that attempt to internalize external economic costs and benefits of polluting or protecting air quality. Government farm subsidies are actually attempts to internalize external economic benefits of agriculture.

My initial response to the conference organizers was that while accounting for the “true economic costs” of food and farming is a necessary step in the right direction, it will not be sufficient to account for the “true cost” of American food. I tried to explain that ignoring the non-economic social and ecological costs of food are an even greater concern than failing to fully account for all economic costs. Costs and benefits that are purely social or ecological in nature have no *economic* value to be internalized. The “true costs” of food should include “all

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costs” – social, ecological, and economic. I suggested that the conference was unlikely to bring about significant change in the American food system if it simply focused on internalizing economic externalities. Instead, to bring about real change, we will have to focus on a way of *valuing*, not pricing, those things of nature and society that are truly *priceless*.

I also pointed out that estimating external economic costs and benefits is far from an exact science. It is difficult to isolate specific cause-and-effect relationships in complex system that function within even more complex economies, societies, and ecosystems – such as the food system. Economists and other social scientists call these “wicked problems.” They are difficult or impossible to solve because of their complexity, which leads to incomplete, contradictory, and ever-changing information and data requirements.¹ Solving one aspect of such problems often cause other problems due to incomplete knowledge. Many economic externalities of industrial agriculture – such as diet-related healthcare costs – are a consequence the basic nature of the so-called modern farming system and the American food system as a whole, rather than any specific aspects of farming or food production. Agricultural sustainability is a wicked problem.

Even if a strong argument can be made for a specific cause and effect relationship, there is no way of *accurately* assigning economic values to positive or negative impacts on nature and society. Economists recognize more than a half-dozen “dollar-based ecosystem valuation methods.”² Disagreements regarding the magnitude of external economic cost and benefits often turn out to be little more than intellectual duels among economists using different methods, models, and initial assumptions. I have reviewed a variety of such economic impact assessments and have found none that could not be challenged or discredited by using different approaches, models, or just different sets of reasonable and logical initial assumptions. External economic impacts on society are even more difficult to estimate than are the impact on nature. It’s not easy to estimate the economic value of the loss of “social capital” in rural communities resulting from the industrialization of farming and the demise of family farms.

If we really wanted to pay the full economic costs of everything, we could simply privatize everything. We could sell off everything in nature and society that has economic value to the highest bidder. Air, water, solar energy, plants, animals, even people as workers, servants, and collaborators could all be offered for sale. The market economy would then allocate the things of nature and society their highest economic use. Their economic value would be reflected in food prices. The proceeds of the sale of our “common wealth” would need to be allocated by government – presumably to serve the common good. How of us could then afford to pay the full cost of American food? How much would be left to meet the needs of future generations?

Economic estimates may be essential in bringing public attention to the importance of economic externalities. However, public policy initiatives and political movements must rely primarily on social and ethical values. In fact, the basic process of internalizing economic externalities invariably raises ethical issues that create social conflicts and often obstruct resolution – but questions of ethics are rarely addressed directly. For example, internalizing environmental costs, such as air and water pollution, assumes that people have a basic political or human *right* to clean air and pure water. While such rights may be assumed by some, they are still contested by many if not most Americans. In many situations, the perceived rights to use

natural resources for economic purposes takes priority over any public right to a clean and healthy environment. Such questions of rights cannot be resolved through economic analysis.

For example, efforts to internalize the economic externalities of farming is often seen as violation of private property rights. Regulations that ensure clean air and water means farm costs will increase and food prices in turn will rise. The environmental costs are externalized onto farmers and consumers. With respect to the larger issues of climate change and fossil energy depletion, credible estimates that indicate huge negative economic impacts, both today and in the future, have done little to resolving continuing arguments about causes and effects. What, if any, *rights* do people have— particularly those of future generations – to restrict the use of economically valuable resources? Change motivated by economic considerations will not occur until changing climates or fossil energy depletion actually affect the economic bottom-lines of global corporations. Advocates for “true cost accounting” in the food system should learn from the frustrations of the environmental and social justice movements over the past 30 years.

I have been told by policy *wonks* that "economics is now the language of public policy." Advocates argue that what is good for nature and society is also good for the economy. It simply is not true. The economy obviously depends on nature and society over the long run, but economic value is inherently short-run in nature. That's why corporate economic planning horizons are five to seven years, at most – not decades or generations. Obviously, future values eventually become present values. However, it will always make more “economic sense” to extract and exploit today than to conserve, protect, and renew for the future. If we are to account for the true cost of food, “we the people” must *reclaim* the language of public policy.

Unlike corporations, most real people don't make purely economic decisions; we pay premiums for some things and avoid buying others based on our social and ethical values. Changes over time in non-economic values of consumers will create new economic opportunities for businesses. However, relying solely on market incentives allows ethical decision regarding right or wrong and good or bad to be decided by one-dollar-one-vote, rather than one-person-one vote. Some people in America have a lot, I mean a lot, more dollars than the rest of us. While internalizing economic externalities would at least reduce economic incentives to exploit nature, it would do little to address issues of social and economic inequity. We would have a “monocracy” rather than a democracy – rule by money rather than people.

Even more important, the “true value” of nature and society simply cannot be fully translated into economic value. Among the most popular methods of attempting to do so by economists is “willingness to pay.” People are asked how much money they would be willing to pay for a given ecosystem service, such a public park, a scenic landscape, or an endangered species of animal – to enjoy or just to know it is there. But, do we really believe the “true value” of nature is determined by what we humans are willing pay for it? How can we place an economic value on something that is an integral part of the ecosystem of which we are also but a part?

It is even more troublesome to try to place an economic value on social relationships that contribute to the greater good of humanity. It makes no more sense to ask how many dollars a loving relationship is worth than to ask how much love a dollar is worth. No amount of money

can turn something that is morally “wrong” into something that is morally “right”? Many of the most important things in life are simply *priceless*.

It’s time for a fundamental change in political strategy if we are to insure the health and integrity of our food system. The Environmental Protection Agency, Clean Air Act, Clean Water Act, and Civil Rights Act were all motivated by social and ethical values –not economic value. There were real economic costs associated with cleaning up the environment and bringing people marginalized by decades of discrimination into the workforce. When these economic costs became readily apparent, the economic community rebelled. These protections have been systematically whittled away over the past 30 years as U.S. public policy priorities have shifted from protecting our democracy and ensuring basic human rights to promoting economic growth.

The basic problem is our cultural preoccupation with economic value. It’s true that everything of use to humans, including everything of economic value, ultimately comes from the earth. However, the economy does not value all of the useful things the earth has to offer. The economy only values things that are *scarce*, meaning things that are not sufficiently abundant for everyone to have all they want. Air obviously is essential to life, but air has no economic value until it is polluted or otherwise diminished in quality or quantity to create a scarcity of clean, breathable air. Water has no economic value unless access to clean water is somehow restricted. Until then, we only pay the delivery costs of water. In general, things of nature only have economic value to the extent they are used to produce things that are scarce and thus have economic value, such as food, or are purposely made scarce to give them economic value.

Furthermore, economic value is individual, impersonal, and instrumental – as least as we know it today. The specific persons involved in economic transactions don’t matter. If something cannot be bought, sold, or traded, it has no economic value. Relationships matter in economics only to the extent that they create economic benefits – as in economic estimates of “social capital.” The economy places no value on the “personal” relationships that must weave, sustain, and occasionally mend the social fabric of healthy communities. Not matter how scarce love and compassion may become, loving and caring relationships will never have economic value.

Economic value is individualistic in that economies are nothing more than collections of individual enterprises. Economic wholes are simply the sum of their parts. As a result, there is no economic value in doing anything for the sole benefit of anyone else or for communities or societies as wholes. Finally, an economic transaction or investment is always a means to some further end – it is instrumental. Money itself is worthless; it is simply a claim to something else that has worth. For any rational economic investment, there is always an expectation of getting something of greater economic value in return. Uncertain claims to something in the distant future will always be worth less than more certain claims to something in the near term.

The social values are different from economic values. First, social values are personal because they depend on the specific persons involved in the relationship. We simply cannot buy, sell, or trade the relationships we have with friends, neighbors, children, or spouses. These relations may be critically important to our quality of life, but they have no economic value. We expect to get something of social value in return for our investment in a social relationships, but

we generally don't know exactly what we will get or when we will get it. We just know that to have a friend we must be a friend, and a true friendship can be priceless.

So what does this mean with regard to internalizing economic externalities and the true cost of American food? Since everything of economic value ultimately comes from nature by way of society, the depletion and degradation of societal and ecosystem services ultimately imposes costs on and diminishes the productivity of the economy. The lingering global recession may well be a reflection of the growing scarcity of "free services" from nature and society to support continuing economic growth. As societal and ecosystem services become increasingly scarce, they will become economically valuable and markets then can and should be encouraged to ration and allocate their use.

The basic problem is that things of nature and society often become ecologically and socially scarce long before they become economically scarce and thus take on economic value, as we have seen in the faltering and retrenchments of the environmental and social justice movements. Waxing and waning of interest in energy conservation and renewable energy are not influenced by the ultimate depletion of fossil energy but instead by its current scarcity or abundance. Climate change gets little attention because its major economic impacts are thought to be in the distant future. Human health is of no economic value until people get sick – meaning their health becomes *scarce*. Sick people may die, in spite of our best efforts to save them. If we wait for the earth's ecosystem and global society to get sick enough to value them economically, the entire global economy may "die."

If we are to sustain the ecological, social, and economic integrity of our food system, our economy, and humanity, we must create a new social movement that gives "ethical and social values" priority over economic values. We must change the language of public policy. We can't wait for growing scarcity and the resulting economic value to save us or the future of humanity. Sustainable economies must function within the limits or bounds of ethically and socially just societies. Ethical values are fundamentally different from economic or social values. Ethical values reflect what we believe to be right or wrong and good or bad in our relationships with each other and our relationships with the other living and nonliving things of the earth. Ethical values are impersonal, non-instrumental, and communal.

We need a new "social movement" because social values evolve into ethical values. As our circle of social relations expand and our relationships become less personal, we begin to understand we need to treat the people we don't know well with the same responsibility, respect, and compassion that we treat people we do know well. Our expectations regarding social reciprocity for our good deeds become less well defined and less certain as relationships become less personal. Eventually, they grow into ethical values, which are non-instrumental. When we do things for purely ethical reasons, there is no expectation of receiving anything of economic or tangible value in return. We do things simply because it is the "right thing to do" – the act is its own reward. Ethical values are also communal: Whatever is right and good for one person is good for all people, everywhere, including those of future generations.

An ethic of stewardship recognizes that the resources of nature are not really ours to own, to use, or use up to satisfy our individual economic preferences. We are caretakers of the earth. We

can and must use the things of nature to meet our basic needs, but we must use them to meet the needs of all, not just the few who can afford their economic value. We also must use them in ways that restore and maintain the health and productivity of nature so that future generations can meet their needs as well. This is a moral and ethical imperative, not an economic choice.

The true costs of polluted environments and unhealthy foods must include the pain and suffering of those whose lives are diminished or destroyed, not just their medical bills. The true cost of food also must include the pain of social marginalization and exclusion keenly felt by farm families who are forced off their land, rural residents who lose their sense of community, and the farm and food industry workers who are treated as little more than biological machines. Economic externalities are important, but the true cost of food is not just a matter of economics.

Many label talk of a new social movement motivated by social and ethical values as hopelessly naïve and idealistic. However, I believe it is naïve to believe that we can continue doing what we have been doing for the past 30+ years and expect to see different results. I believe there is a growing public realization that the pursuit of material economic self-interest has not brought us greater satisfaction or happiness. For example, a 2003 British Cabinet study found there had been no overall improvement in well-being, happiness, or quality of life in the U.S. or any of the so-called developed nations since the 1950s³ – in spite of continued growth in incomes and wealth. An extensive review of a number of scholarly socioeconomic studies, found no indication of further increases in overall well-being associated with increases in incomes as economies grow beyond around \$10,000 to \$15,000 per person.⁴ These studies only confirm our common sense that we humans are not just material or economic beings but also social and moral beings. Quality of life is not just a matter of economics.

Certainly we need the economic necessities of life – food, clothing, shelter, health care, – things money can buy. But, we also need relationships with other people for reasons that have nothing do with anything of economic value we may receive in return. We need to care and be cared for, to love and be loved. And, need a sense of purpose and meaning in life, a sense of what we do matters, that our choices in life are right and good. Our stewardship of nature and society is not a sacrifice that requires or should expect some form of economic compensation. Economics is only a means of doing what we know in our heart we should do. Only when we consider the social and ethical values as well as the economic value of food will everyone be willing and able to pay the true cost of American food.

Thankfully, we already have the means of “valuing the priceless” – at least in America. The American Declaration Independence states: “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness.—That to secure these rights, Governments are instituted among Men.” We just need to find the political courage to reclaim the language of politics and make our government work for the common good of people.

What can possibly be more important to the unalienable *right to life* than the right to clean air, clean water, and safe, wholesome food? Some Americans obviously believe that since these specific rights are not explicitly spelled out in the U.S. Constitution, there are not really constitutional rights. The Supreme Court apparently agrees. However, the Supreme Court is not

the supreme power in our American democracy. The Constitution is an instrument by which “we the people” express our consent regarding the rights which our government is charged to ensure. The role of the Supreme Court is simply to “interpret” the consent of the governed.

The U.S. Constitution clearly states that the rights of the people of the United States are not limited to those rights explicitly named in the Constitution. Amendment 9 in the constitutional Bill of Rights states: “*The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.*” In other words, the framers of the Constitution did not attempt to enumerate all of the fundamental rights of U.S. citizens. It clearly states that we have “other” rights, in addition to those named in the constitution, and that these additional rights are to be “retained by the people.”

Some of those “other” rights were later encoded in the Constitution, after the initial Bill of Rights, such prohibition of slavery and ensuring women’s voting rights. Other unnamed rights have been interpreted by the courts as being covered by specific constitutional rights – such as the right to privacy. Other un-enumerated rights are so well-established or obvious that they have never been seriously questioned, such as the right of liberty through self-determination and the right to life through self-defense. The 10th Amendment to the Constitution states that “The Powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, *or to the people [emphasis added]*.” Thus, we the people, have the constitutional authority to claim our unalienable right to clean air, clean water, and safe food. We don’t need to bribe manufacturers, electric power companies, fossil energy companies, or industrial farmers not to pollute our air and water or compromise the safety or nutritional quality of our food. We Americans only need to find the courage to claim the rights guaranteed by our Constitution.

Furthermore, the U.S. Constitution was meant to be a living document so as to represent an evolving understanding of the basic nature of how the world works and our place within it. Article IV defines the amendment process as a process documenting the evolving consensus of the people. An amendment giving equal rights to Americans of all future generations would likely do more to address the current ecological and social crises than any other single act of the American people – but only if such an amendment was a reflection of a new American consensus. The hungry of America and of the world will have enough healthful food only when the right to food is proclaimed as a basic human right, as it is by the Food Sovereignty movement.

We need not wait for changes in the Constitution to value the priceless. The basic responsibility of government is to serve the “common good” – not the economic self-interest of individuals or businesses. In a democracy, the rights of each person must be given equal protection regardless of our economic wealth or our ability to contribute to the economy. In a democracy, all people are of equal inherent worth – one-person-one-vote, not one-dollar-one vote. If we continue to allow political decisions to be dominated by economic value rather than social and ethical values, we will not solve the “wicked problems” of ecological, social, or even economic sustainability. Internalizing economic externalities, while necessary, will never be sufficient. We must give priority to those things upon which the integrity of society and the future of humanity ultimately depend. We must give our highest priority to the priceless.

End notes

¹ Wikipedia, “Wicked Problem,” https://en.wikipedia.org/wiki/Wicked_problem .

² Ecosystem Valuation; “Dollar based ecosystem valuation methods,” http://www.ecosystemvaluation.org/dollar_based.htm .

³ James Oliver, “Children before cash; better childcare will do more for our wellbeing than greater affluence,” *The Guardian*, May 17, 2003. <http://www.guardian.co.uk/society/2003/may/17/children.healthandwellbeing> .

⁴ Ed Diener and Martin Seligman, “Beyond Money,” *Psychological Science in the Public Interest*, 5 (1), 2004, 1–31.