

## ***The US Farm Bill , the Ethanol Trap, and Global Food Security: Case Studies in the Need for Homework and Systemic Thinking before Acting***

It has been a tough sell to get people in the US, including legislators, to take a good look at long-range, systemic issues before lobbying or voting on a particular bill. The Farm Bill is a case in point, which Congress has now passed after negotiating compromises. The bill faces a threatened presidential veto.

The compromises somewhat reduce subsidies to wealthy farmers, but the bulk of the subsidies still go to large-scale agribusinesses that grow five basic crops. Farmers who cultivate other crops receive little or no aid. The bill also increases funding for conservation and for US hunger relief. Including these measures in the Farm Bill rather than separately resulted in hunger-relief groups and conservationists lobbying for the bill's passage. Election year politics were another factor.

In the meantime, farmers around the world cannot compete and are driven out of business by the highly subsidized crops of the US, the EU and Japan. The Doha Round of the World Trade Organization, set up to reduce this kind of disparity and assist poor countries, flounders. Agribusiness tightens its hold on global food supplies. Food security is threatened.

The same problem exists in the short-sighted rush to subsidize ethanol production and the consequent switch by many farmers to corn for bio-fuel. Shortage of the abandoned crops means higher prices. The failure to consider these possible consequences of the bill is striking. Now, with rising food costs, droughts in several rice-exporting countries, and soaring energy costs for machinery and transportation, many countries are experiencing widespread hunger, social unrest, and riots.

It is not easy to understand the systemic issues affected by a particular bill. Yet urging support of a particular version of a bill without doing one's homework can be counter-productive. Websites of credible organizations with capacity to examine these issues are available. See, for example, Environmental Working Group, [www.ewg.org/farm](http://www.ewg.org/farm) and Bread for the World, [www.bread.org](http://www.bread.org)

CREA: Center for Reflection, Education and Action, Inc.  
P.O. Box 2507  
Hartford, CT 06106-2507

CREA: Center for Reflection,  
Education and Action, Inc.  
P.O. Box 2507  
Hartford, CT 06146-2507  
Tel: 860.527.0455  
FAX: 860.210.1072  
E-mail: [crea-inc@crea-inc.org](mailto:crea-inc@crea-inc.org)  
[www.crea-inc.org](http://www.crea-inc.org)

CREA is an independent, non-profit  
501-c-3 organization.



*Believing that the  
earth is home to all,  
CREA facilitates analysis of  
human, social, and economic  
policies from the perspective of  
their effects on human lives,  
beginning with the lives of  
those who are poor.*

NONPROFIT ORG.  
US POSTAGE PAID  
HARTFORD CT  
PERMIT NO. 2969

***To address the growing challenge  
of human security,  
a new development paradigm is  
needed that puts people  
at the centre of development,  
regards economic growth  
as a means and not an end,  
protects the life opportunities  
of future generations as well as  
the present generation,  
and respects the natural systems  
on which all life depends.***

*Human Development Report 1994,  
United Nations Development Programme.*



# STARTING POINTS

CREA: Center for Reflection, Education and Action, Inc.  
Hartford, CT 06112

2008 Vol. 1, No. 1

## SECURITY: WHAT CREATES AND SUSTAINS IT?

In this newsletter CREA invites readers to examine the issues surrounding the increased sense of insecurity that is widespread in US society. The horror of 9/11, the actions of the Department of Homeland Security, the passage of the Patriot Act, national and local preparedness efforts, the political manipulation of our fear...all these have made "terrorist" and "terrorism" words that are a part of ordinary conversation. Concern for our lives and those of our families hovers over our day-to-day activities.

This is not the whole story of security, however. We also need economic and environmental security. Providing for our families' physical everyday needs is of paramount importance. We work hard to provide a home, to put nourishing food on the table, to provide clothing, medical care, clean water and fresh air. When these needs surpass our ability to meet them, our security is threatened on a very real level. The on-going lack of any of them can result in illness and death, just as truly as bombs and terrorism can.

It is by our jobs, by our participation in our civic communities, and by our taxes that we collaborate as a human society to meet these human needs. Knowing that our work as individuals and as communities can provide for these needs is the basis of our security. This kind of security is the goal of all people.

The availability of work that provides sufficient purchasing power to meet human needs is central to this security. The extraordinary changes brought about by rapid economic globalization have introduced fears about job security. Jobs are outsourced to low-wage countries, wages of ordinary workers spiral downward, and capital investment flees to other countries, especially the Middle East. The US education system fails, as does the country's infrastructure.

Yet, we are still fortunate to live in a democracy where we have the power as citizens to bring about change. We have to resist the media's use of many kinds of manipulative distractions: the inordinate coverage of celebrities' lives, the increasingly violent and sexually provocative images; and the repetition of selective information or misinformation. As citizens we must consciously resist such manipulation. Serious, mature consideration of the issues is crucial for democracy to work. Discussions are needed about jobs that provide sustainable living wages, taxes that are used for the common good, and attention to the human rights of all citizens.

The question **CUI BONO?** (Who benefits?) helps us cut through manipulation and political rhetoric. This election period is an excellent time to raise questions and demand real answers.



## GUATEMALA REPORT COMPLETED

CREA is pleased to announce the publication of the English version of our Guatemala report *Sustainability of Whom? Sustainability of What?* The Spanish translation is in process and will be available in the coming months.

The report examines and seeks to respond to the title questions, specifically measuring the degree to which wages/income and their resulting purchasing power enable workers to achieve a standard of living that leads to security, human rights, advancement toward the UN Millennium Goals, and true sustainability. It also measures how Fair Trade assists in movement toward these goals.

The report is available on the website [www.crea-inc.org](http://www.crea-inc.org). Printed color copies and CDs may be purchased.

We are deeply grateful to CREA donors and especially to the Sisters of Mercy of the Northeast community for your support and commitment to our work and to the people and communities whom we serve.

## HOUSING INSECURITY IN AMERICA

Part of the appeal of owning a home is the security of knowing where you will live from one month to the next, free from the whims of landlords who could at any moment raise the rent or convert a building into other uses. People who buy a home speak of settling down, of feeling rooted in a particular community, of feeling stable.

### Change in Lending Practices

Until recently, banks that lend the money to homeowners had a vested interest in promoting that security. Lenders took precautions to ensure that borrowers were able to pay back their mortgages. In the last few years, though, the emphasis has changed. While banks once held mortgages on their books for years – meaning they would be penalized if borrowers could not repay – now those loans are carved into little pieces, sold and resold. Lending standards relaxed dramatically as responsibility diffused.

Now that many loans made in recent years are proving to be unaffordable, the damage is becoming widespread. The number of foreclosures is at the highest level since the Mortgage Bankers Association began keeping records in 1979. The increase in vacant homes is contributing to rising crime in many neighborhoods. Giant banks are taking write-downs of billions of dollars, reflecting new, lower estimates of what their mortgage holdings are now worth.

Mortgage brokers, who handle many loans for people with low or moderate incomes, have no financial interest in whether an applicant can afford the mortgage over the long term. Brokers benefit simply by closing a deal; in fact, they have no obligation to ensure that buyers are getting the best deal.



### CREA's Executive Director Elected Again to Stakeholder Council

Ruth Rosenbaum, TC, PhD, was re-elected to membership in the Global Reporting Initiative (GRI) Stakeholder Council. She has been active since the beginning of the GRI development, and served on several committees during the planning of the organization. The Council's international expert practitioners assist in the development of reporting tools for use by corporations and other organizations to measure and make public the impact of their policies and procedures on the environmental, social and economic well-being of the communities in which they operate. Council members include representatives of international corporations, labor, and environmental organizations. In addition to contributing her experience and skills, Ruth brings to the GRI a strong and persistent representation of impoverished communities.

**We're Baaaaack! CREA resumes publication of our newsletter with this issue. Previous subscriptions will be honored.**

Today, brokers have no responsibility if the loan goes bad, though state legislatures are taking steps to require that brokers judge whether an applicant actually can afford a loan. Yet mortgage lenders have been working together to fight proposed responsible-lending laws.

### Efforts to Stem the Tide of Foreclosures

To stem the tide of foreclosures, the financial incentives for borrowers and lenders need to be realigned. The bankruptcies of high-profile mortgage lenders, rising foreclosures and encouragement from community groups could give legislators greater incentive to press for new laws that better regulate brokers and limit damaging mortgage terms, such as mortgages that contain penalties for paying down the principal early. Such prepayment penalties often make it impossible for a homeowner to refinance into a better loan.

Communities could promote affordable housing so that people can afford to live near where they work, and have more options available without accepting a dubious mortgage. In planning and regulation, the emphasis can shift from short-term profits for a few companies to long-term security for communities.

Most communities have free counseling programs for new homebuyers, but businesses that benefit from increasing numbers of home sales have little incentive to advertise these resources, because people might start turning down bad loan offers.

### For more information

The Center for Responsible Lending is a nonprofit group based in Durham, N.C., which aims to protect homeownership by fighting abusive lending practices. [www.responsiblelending.org](http://www.responsiblelending.org)

ShoreBank, a community-development bank with offices in Chicago, Cleveland and Detroit, is seeking bank deposits that it will use to rescue homeowners from foreclosure. [www.sbk.com](http://www.sbk.com)

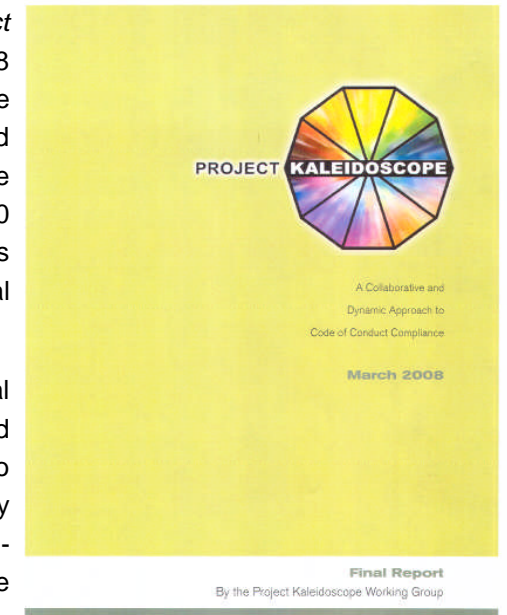
## PROJECT KALEIDOSCOPE PUBLIC REPORT RELEASED

*Project Kaleidoscope: A Collaborative and Dynamic Approach to Code of Conduct Compliance*, the public report on this multi-year project, was released on May 7, 2008 by the project Working Group. CREA was a member of the Working Group from the beginning. Representatives of McDonald's Corporation, the Walt Disney Company and seven organizations experienced in the field of vendor compliance comprised the Working Group. The Working Group developed an approach that was piloted in 10 factories in China that supply products to Disney Company and to McDonald's restaurants. Professor Qu Ning of China was the in-country supervisor, and several Chinese civil society organizations cooperated in the implementation of the project.

The approach was successfully field-tested, and led to the establishment of internal communication and reporting systems that are central to achieving sustained compliance. Called Dynamic Social Compliance, the approach was designed to create communication processes and internal reporting systems that enable factory personnel to identify, report and fix problems and respond quickly to changing circumstances. External auditors then include evaluation of the presence and use of these systems in their audits.

The Working Group hopes that Project Kaleidoscope will serve as a model and foundation for other Brands and their factories, who can benefit from the learnings of this project in the creation of their own. It is an important model, because it offers additional methods to safeguard workers' health and well-being within vendor facilities.

By participation in the development and implementation of this project, CREA continued to fulfill our mission statement which reads in part: "At CREA, we seek to be pro-active, developing constructs, such as economic models which will serve as constructive contributions to the global challenges affecting lives everywhere." This project joins CREA's development of defined wage/income levels, detailed indicators for measuring ability to obtain essential items and services, and the Purchasing Power Index, all of which have been and continue to be among CREA's contribution to addressing these global challenges.



### Coming Soon: Bangladesh Study Report

The CREA staff is presently engaged in the production of a public report on our Bangladesh study that was completed during the past year at a company's request. The company has given CREA permission to use the data without revealing its identity. The initial report will be enhanced and up-dated, particularly in view of the food shortages being experienced globally.

Each report contributes to CREA's reputation as a credible and focused research organization. We believe that the Purchasing Power Index is a tool that can be used on many levels, including global research and policy making.

### CREA House welcomes visit of Patrick Neyts, Senior Advisor of CREA-Europe

April 2008 brought a welcome visitor to CREA House, Patrick Neyts, who is CREA-Europe's Senior Advisor. During the week's visit, Executive Director Ruth Rosenbaum and Patrick, joined on occasion by other members of CREA's staff, engaged in planning and organizing sessions that placed the organization's present and planned activities within a framework that has the potential to move the organization into the future. The two extrovert processors challenged and energized each other and the staff. Patrick has extensive networks within the European Union and elsewhere, including contacts resulting from his previous membership of the Board of the Ethical Trade Initiative (ETI) of the EU. He was able to bring back to the ETI a printed copy of CREA's Guatemala report, which was enthusiastically received. The ETI has already endorsed CREA's definition of wage levels, especially the definition of a Sustainable Living Wage/Income.

Both leaders anticipate many opportunities to collaborate on projects in the future, joining their respective experiences and skills in a synergy that holds much promise.