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THE LOGIC OF NATIONAL POLICIES FOR THE PROMOTION OR REGULATION OF AGRICULTURAL PRODUCTION IN EUROPE

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WHEN I was invited by our President to speak on the logic of national policies for the promotion or regulation of agricultural production in Europe my mind went back to the days when I was a student of logic at Oxford. I recalled the saying of the Hegelian philosopher, F. H. Bradley: 'Metaphysics is the finding of bad reasons for what we believe upon instinct, but to find these reasons is no less an instinct.' In a similar spirit one might say that agricultural economists, particularly if they are also government officials, can generally find plausible reasons for what Governments do under political pressure. But in this atmosphere of academic freedom I shall try to speak as a detached observer looking at western Europe as a whole and shall not feel precluded from admitting lack of logical coherence in our national policies.

First let me emphasize that whereas in the U.S.A. there are forty-eight States whose divergent policies are moulded into something like a coherent whole by one Federal Government, in western Europe we have eighteen States and no Government at Strasbourg. For nearly five years these Member States have met in the Organization for European Economic Co-operation, trying to hammer out some logical coherence in their national policies. Some progress has been made; but no 'Founding Fathers' have yet emerged to establish political and economic unity. Farmers have votes in eighteen sovereign States and national delegates in O.E.E.C. are never likely to forget that fact.

National policies for promoting agricultural production have two aspects: technological and economic. In the technological field an immense and growing body of scientific knowledge is accepted by Governments as the basis for agricultural progress. It may be that our faith in the latest teachings of science tends to be too uncritical and that we are apt to forget that, since science is always growing, the latest fashion may not be the last word. We Europeans have a vast amount to learn from American technologists and possibly, as in the case of grass-land, something even to teach them; but there

is growing recognition that the policies and practices that suit one country or area of the world may not be fully applicable elsewhere. In general, however, science and technology are the same everywhere and are, or should be, unaffected by political considerations—the chief exception being the Marxist theory of genetics advocated for twenty years by Lysenko and now officially endorsed by the Government of the U.S.S.R. In western Europe at least there is a common outlook and a logical pattern of development in the application of science to agriculture.

When we turn to economic and social policy the position is very different. Human reaction to environment is infinitely more complicated than that of plants or animals and the attempt to lay down rules for guidance is met at the outset by uncertainty as to the objectives of social policy.

Population policy. Take for instance the population problem. Is the goal of national policy increase in numbers, or improvement in quality and a rising standard of living? One of the logical contradictions we find in some countries is a refusal to countenance prudential checks on population growth in spite of growing concern for the welfare of the surplus rural population. Logically western Europe would benefit by greater mobility of agricultural workers, but those who advocate greater freedom of migration are apt to discount the social and political implications. In discussions at the International Labour Office before the war, when delegates from the Balkans pleaded for freer migration, M. Albert Thomas used to say that it was unreasonable for countries with high birth-rates to claim the right to send their surplus population to countries where people were more concerned to raise the standard of living of their children than to increase their numbers. This is a long-term problem for which no early solution is in sight. Differential rates of fertility are likely to remain one of the factors which stand in the way of European integration.

Progress since the war. The countries whose national policies I propose to touch on are the fourteen member countries of O.E.E.C. for which fairly full and comparable data are available. A few figures will show the progress of the area as a whole since the war. Total output of food for human consumption (not total agricultural output), according to O.E.E.C. indexes, was 83 per cent. of pre-war in 1947-8, and rose to 14 per cent. above the pre-war level in 1950-1. This increase was achieved with 30 per cent. less imported animal feed than before the war. The net increase after allowing for these reduced imports was 18 per cent. above pre-war. Outside Turkey,

where there has been an increase of 10 million acres since 1934-8, the total arable area has remained about the same. Aided by good weather, yields have increased, but the most marked progress has been in feeding practices and in better management and utilization of pasture and fodder crops.

The progress made since the war is encouraging but it is not enough. The increase of about 14 per cent. in output compared with pre-war has been just about offset by the increase in population, so that food production per head is no higher than before the war. Were it not for Marshall Aid total food consumption per head would have remained below pre-war.

Possibilities of expansion. Balance of payments difficulties and the needs of defence now make it essential to press on with the same and, if possible, a greater rate of progress. O.E.E.C. recently set on foot a series of studies designed to show how an overall expansion of 25 per cent. in total economic activity could be achieved in five years. Included in this was an agricultural expansion programme of 17 per cent. by 1956, which has been put forward by a group of experts as technically possible but only likely to be realized if 'extraordinary efforts are made by farmers and Governments'.

It would take too long to do more than mention a few of the many technical and economic developments which would have to be realized if this rate of progress is to be achieved. They include some increase in the arable area, particularly in Turkey; higher yields and improved seeds (e.g. the development of hybrid corn in Italy); more fertilizers; better utilization and conservation of fodder crops, particularly grass; improved advisory services and extension work, and many other forms of technical aid, depending on State subsidies. These all raise important questions of national policy; but what we are specially concerned with are the economic conditions affecting agriculture—particularly those relating to investment, trade, and prices, and the possibility of a wider European market for agricultural products. It is in these fields that the logic of national policies is hardest to find and, when found, to reconcile.

Investment. Modernization of farm practices, extension of the cultivated area, and intensification of production require both long-term investment and expansion of short-term credit facilities; but in both these respects the inflationary situation and the needs of defence point to the need for restraint if not restriction at the present time. Defence requirements compete for the output of machinery and construction materials and have created a shortage of key materials like sulphur which is needed for fertilizers and pesticides.

Consumption of fertilizers in western Europe is about 30 per cent. above pre-war and has been increasing at the rate of 10 per cent. per annum during the last few years; but the expansion programme depends on a still wider use of fertilizers. In the case of nitrates the supply will probably be insufficient without some extension of manufacturing capacity, but the building of new nitrate factories has to compete with the more urgent needs of defence. Similarly, balance of payments difficulties and inflation have led to restriction of credit and higher rates of interest at a time when farmers need more short- and medium-term credit for the purchase of farm requisites and other conditions for expanding production. The extent to which agriculture can be granted exceptional facilities without running counter to the over-all need for economy in investment is not easily determined either by logic or by political judgement.

National policies affecting markets and prices. To most Americans who advocate a United States of Europe it may seem almost self-evident that a large nation with a single market must be more prosperous than a collection of small States. This is not so evident to many Europeans who look east and compare their standard of living with that of China, India, and the U.S.S.R. It is, after all, ratio of population to resources that is more important than mere size of territory. Europeans cling tenaciously to their national sovereignties and if they had the choice might vote to remain independent even at the cost of a lower standard of living. The countries whose problems we are considering have populations averaging one-tenth that of the U.S., ranging in size from over 50 million in the U.K. down to 300,000 in Luxembourg. It would be surprising if their national policies in the matter of prices and markets were logically coherent.

For purposes of illustration let us look briefly at the policies and problems of ten of the O.E.E.C. countries, divided into four broad categories:

- A. Importers of grain, livestock products, and other foods: the United Kingdom, with a population of over 50 million depending on imports for more than half its food supplies; and Western Germany, with a population of 45 million importing 40 per cent. of its food.
- B. Mainly self-supporting: Sweden, France, and Turkey—the two latter being exporters of grain.
- C. Importers of grain but exporters of other foods, mainly fruit and vegetables, and animal products: Italy, Netherlands, Denmark and Ireland.

D. Importer of grain, sugar, and live cattle, and otherwise self-supporting: Switzerland.

United Kingdom. In the United Kingdom, which is now importing only about half its pre-war imports of feed grains, the policy is to expand the production of barley and oats by putting a million more acres of grass under the plough and to increase the yield both of crops and of the remaining grass-lands. By this means it is hoped to step up the production of beef, mutton, and pigmeat by an increase in the annual rearing of calves and in the numbers of sheep and pigs. For dairy cattle increased yields rather than larger numbers are the goal. The result which it is hoped to achieve is an increase of about 10 per cent. in net agricultural output during the next four years, bringing it up to 60 per cent. above the pre-war level. The United Kingdom relies to a large extent on guaranteed prices and subsidies to provide the required incentive. It can afford to do this because agriculture employs a smaller proportion of the population, and contributes less to the national income, than in most other countries.

Western Germany. Of almost equal importance as a food-importing country is Western Germany. Here a major objective is to expand the cultivation of intensive crops, particularly root crops, potatoes, and sugar-beet. Ploughing up of grass-lands and extension of the arable area encounter great difficulties. Consumption of fertilizers is traditionally high in Western Germany and no rapid increase can be expected in yields, which last year were above the pre-war level. A special problem facing Western Germany is the resettlement of refugees. Some progress is being made under the Refugee Settlement Law of August 1949, which provides for the transfer of farms without heirs, and of land with farm buildings not used for their original purpose, to refugee farmers. Propaganda and extension work is being intensified but progress is hampered by financial limitations. In southern and western Germany technical progress and mechanization are handicapped by the prevalence of small farms and scattered holdings; it is estimated that on about half the agricultural area of this part of the country output could be sensibly increased by consolidation of strip-holdings.

France. In 1948 the Monnet Plan aimed at expansion of wheat production, so as to yield a surplus for export of from 1 to 1½ million tons, and a large increase of feed grains and fodder, so as to become independent of imports and to produce a surplus of livestock products for export. Considerable progress has been made. The 1950-1

target for meat was just about reached and for milk was exceeded, but production of cereals has been lagging behind the target, though 850,000 tons of cereals were exported in 1949-50 and 800,000 tons in 1951. Specially noteworthy is the eightfold increase in expenditure on agricultural extension services from just under 200 million francs in 1947 to nearly 1,600 million in 1951. Subsidies have been given for improved seeds, development of hybrid corn, silos, fertilizers, weed-killers, and mechanization. Difficult and interesting problems have arisen in the sphere of price policy. Industrial prices have risen more during the last three years than farm prices. This has discouraged production, particularly of wheat, the price of which is controlled. There has also been a disparity between wheat and meat, the price of which is not controlled. In fixing the price of wheat the Government has been influenced by its desire not to increase the cost of living. Moreover, the price of wheat is fixed each year, not in advance or at the time of sowing, but just before the harvest. Thus there was a substantial increase in July 1951, but no guarantee of future prices for later years. Producers fear that if they were to produce a large surplus for export, the French Government might be unable to guarantee a remunerative price. This explains why France is specially interested in obtaining an assured outlet for her exportable surplus in other European countries.

Turkey. Turkey is the only other O.E.E.C. country with potentialities as a grain exporter. Thanks to Marshall Aid Turkey's agriculture is being rapidly modernized, and during the next five years she aims at large increases in her exports of grain, cotton, and tobacco. A large programme of land improvement and development of ports and railways is being undertaken which should enable her to export in good years well over a million tons of cereals. More than in any other country of western Europe there is wide scope not only for extending the arable area but for increasing yields through mechanization and improved methods of dry farming. The rate of progress will be governed partly by the extent to which millions of peasants can be persuaded to adopt new methods by strengthening the advisory services, and partly by budgetary limitations and anti-inflationary measures. The United States is generously building up Turkey as a competitor with herself in European markets for grain, cotton, and even tobacco.

Italy. In 1950-1 Italian wheat production exceeded the target set under the European Recovery Programme, which was 7 million tons, by 10 per cent., but the following year there was a drop to 6.8 million tons. There seems little prospect of average production

exceeding 7.5 million tons which would still leave a deficit of about 1.5 million tons to be imported. There are hopeful possibilities in the development of hybrid corn, which should make it possible to grow 3 million tons of corn, which was the pre-war figure, on a smaller area. Efforts are being made to increase the area under rice and so maintain the recent high level of 200,000 tons of rice exports. Sugar-beet production has been expanded and Italy is now virtually self-sufficient in sugar. There is some scope for expansion of vegetable oils, particularly of olive oil. Increasing emphasis is being placed in Italy as elsewhere on the expansion of fodder crops and improved grass-land. Consumption of meat and milk in Italy is much below that of northern Europe. Among government measures special attention has been given to increased use of fertilizers, insecticides, and mechanization. Efforts are being made to strengthen the extension services and develop technical assistance; but the amount of money is severely limited by budgetary considerations. During the financial year 1950-1 the total amount spent on propaganda and general technical activities was only 816 million lire. Large sums are, however, being invested by the Government in land reform and land improvement, for the most part in southern Italy. Redistribution of land, which is to a large extent prompted by social reasons and the need for absorbing surplus population, has to be accompanied by considerable investment in land improvement and reclamation if it is not to lead to a fall in production. Large sums are being invested by the Government and by agricultural credit institutions in loans to farmers at relatively low rates of interest. Lastly, mention should be made of the Italian Government's strenuous and persistent efforts to increase the market for fruit and vegetables, wine, and cheese in neighbouring European countries and even in North America. So far as her exports are concerned Italy favours complete liberalization of trade; but at the same time, where imports compete with Italian home production, e.g. wheat, sugar, and even agricultural machinery, Italy, like other countries, adopts a protectionist policy. However, if European integration were to be proposed, Italy would probably be in favour of free trade all round, but only if it were accompanied by free migration of agricultural labour.

Netherlands. The Netherlands is a small country dependent upon foreign trade, with a high standard of living and a growing population, which suffered severely from the war first by enemy occupation and then by the loss of Indonesia. It rivals Denmark in having a high average level of efficiency and a diversified agriculture, its chief exports consisting of dairy products, pigmeat, and fruit and vege-

tables. Along with Denmark it stands to gain more than any other country from liberalization of trade. The Netherlands Government goes further than most in giving economic and technical guidance to farmers. Livestock producers have been hit by the high price and scarcity of imported feed grains; and the Netherlands, like the United Kingdom, still retains its war-time system of rationing feeding-stuffs. Home produced coarse grains, as well as wheat, are subject to compulsory delivery at fixed prices. Successful efforts have been and are being made to increase the yield of grass-land, but it has been difficult to induce farmers to put grass-land under the plough. Farmers are guaranteed reasonable prices in their home market; but obstacles to trade in neighbouring countries discourage them from expanding production for export as much as they otherwise might. They fear that higher prices designed to stimulate production of cereals and feed grains in other European countries may have the effect of raising farm prices generally and thus lead producers in these countries to demand more protection against imports. The Netherlands strongly support one of the principles enunciated by O.E.E.C. in 1949, namely, that 'larger production should be secured by increasing yields and efficiency rather than by policies involving higher prices'. Prices paid to farmers should in their view be related to the cost of production of average efficient producers. The Benelux countries have had great difficulty in reconciling their divergent price policies. In the case of cheese, for example, the Netherlands produces a low-cost factory cheese and Belgium has a rather high-cost peasant system of cheese production. The Belgians have said they cannot compete with the low prices of the Dutch. A special arrangement has been made under which the Belgians allow Dutch cheese free entry to the Belgian market, subject to a stop if the price should fall below a certain level, while the Belgian Government has granted a subsidy which is intended to counteract the high cost of Belgian cheese-making.

Denmark. In western Europe as a whole about 85 per cent. of total farm production is sold in the home market and only 15 per cent. is exported. But in Denmark, which lives by its exports, only a third is marketed at home and two-thirds is exported. It follows that her pattern of production and prospects of expansion depend largely on the policies of importing countries. Livestock production in Denmark is above the pre-war level in spite of a reduction of 35 per cent. in imports of oil cake. This has been due to the striking advances that have been made in the better utilization and conservation of fodder crops and in more economical methods of feeding. 75,000

farmers now have silage plants compared with only a few hundred before the war. Through mechanization and improved farm management agricultural output has been raised above its pre-war level in spite of a decrease of 30 per cent. in hired labour and of about 15 per cent. in the total labour force. Until recently Danish producers have been well satisfied with the policy of bulk sales under long-term contracts with the United Kingdom, but since devaluation, and with rising costs of production resulting from the Korean War and re-armament, the contracts have proved less advantageous. At times it has been more profitable to sell pigmeat and dairy products to Germany and other countries, but this trade has been spasmodic and uncertain. In Germany there have been rising tariff duties and in Belgium and France there has been total or partial exclusion of some Danish products. Denmark's policy is naturally to press for the greatest possible freedom of trade in Europe and she urges with much force that it is impossible to expect her farmers to embark on a further expansion of production, necessitating large-scale investment or radical changes in farm practices, if her export markets are liable to be closed at short notice or subjected to sudden changes in tariff rates.

Ireland. Ireland, like Denmark and the Netherlands, imports grain and exports livestock products. Her efforts at expansion of cereals and fodder crops and improvement of grass-land have been handicapped by high prices and shortage of fertilizers. It is estimated that about 6.5 million acres of tillage and pasture are deficient in lime. The Government has recently undertaken to defray charges on ground limestone so that it can be delivered on the farm at a cost of 16s. a ton.

Lastly we come to two countries, Sweden and Switzerland, which partly for political and partly for strategic reasons pursue what might be called an 'isolationist' policy and are difficult to fit into any logical pattern of European agriculture.

Sweden. Sweden is unique in being almost entirely self-supporting. In terms of calories her production of food is at present just about equal to her food consumption. This is not an accident but the goal of her national policy. Indeed her chief embarrassment lies in the fact that she is not precisely self-sufficient in every commodity, since she has recently had a surplus of eggs and dairy products which she has had to export, and a deficit of meat and to some extent of feeding-stuffs. The aim is to make the country independent of imported feed grains, to limit production of eggs and dairy products, and to expand beef and pigmeat production. This reorientation has

involved an increase in the guaranteed price of wheat with corresponding increases in other grains, and higher prices for meat to correspond with the rise in cereal prices, while the prices of eggs, milk, and dairy products have remained virtually unchanged. One of the difficulties in implementing this policy is that it is the small farmers who tend to specialize in the production of milk and eggs. To some extent this is met by paying a higher price for milk to small producers. In the northerly parts of Sweden, where milk production is a useful adjunct to forestry, a special subsidy per gallon is paid out of the proceeds of sale of milk produced in more favoured areas.

*Switzerland.*¹ Switzerland, like Sweden and the United Kingdom, is a country that can afford to treat its farmers well. In view of her experience in two world wars it is not surprising that farm prices in Switzerland are the highest in Europe. The Confederation fixes a guaranteed price for wheat by undertaking to buy any offered to it for sale. Special efforts are being made to extend the area under coarse grains and oil seeds. In the case of sugar-beet home production is only sufficient to meet a small part—less than 15 per cent.—of the country's sugar requirements. Switzerland has only one sugar factory with a capacity of about 200,000 tons, but plans have been prepared for building another refinery in eastern Switzerland. Since this would involve a government subsidy the proposal has to be approved by a referendum. Here is a case where consumers and taxpayers have a chance of deciding for themselves which is the more logical policy, relatively cheap imports or expensive home production. Milk production exceeds consumption, and there is a traditional export of Swiss cheese not only to other countries in Europe but also to the United States. An attempt is now being made to restrain expansion of milk production partly by encouraging the ploughing up of grass-land and partly by increasing the production of beef cattle. In 1950 beef production was about 15 per cent. below the pre-war level. But as in Sweden, this shift from dairying to beef production may encounter difficulties, since milk production is one of the chief sources of livelihood for small farmers, whereas beef is more appropriately produced on larger farms, except in so far as it is a by-product of the milk industry.

Enough has been said, perhaps, to illustrate the divergent national policies of Europe, and the social and political obstacles to integration. They may be summed up in a few words. In every country there are wide variations in the size and efficiency of farm enterprises.

¹ Revised after comment by A. Huni, p. 564.

Twenty-five per cent. of the area of western Europe consists of farms under 25 acres and about forty per cent. of the area is in farms of under 50 acres. Not that all small farms are inefficient; many small farmers, notably in Denmark and the Netherlands, can hold their own in specialized forms of production with the most efficient large-scale enterprises. But in the area as a whole there is a very large number, running into millions, of small and relatively inefficient peasant holdings which cannot compete with the lower cost products of Denmark and the Netherlands. On the basis of one man one vote the less efficient majority of producers has everywhere a powerful political voice and their standard of living is a major concern of national policies. A minimum livelihood for the small family farm—and in the United Kingdom a minimum wage for the hired agricultural worker—has become one of the essential features of the modern Welfare State. It follows that wherever there are frontiers between sovereign states there have to be obstacles to trade, and every Government has to devise some method of protection or price support for its own farmers. The logical course might be to reduce the number of frontiers and merge some of these national sovereignties. But if this is not politically possible, might not a unified market be established for some if not all agricultural products? That is the purpose of discussions going on now in Paris. Let us therefore look at the main groups of commodities and see how far national policies affecting prices and production might be brought into greater harmony.

Cereals. Western Europe cannot economically produce all the cereals it needs both for human consumption and animal feeding. In 1950-1 western and northern Europe produced 25 million tons of wheat and imported 14 million tons—more than half the world's exports. Of coarse grains the area produced about 30 million tons and imported 9 million tons, or three-quarters of total world exports. There is unanimous agreement as to the need for expanding cereal production both to reduce expenditure on imports and to increase the supply of animal feed. The price of wheat varies from country to country and is as a rule a guaranteed minimum and maximum price. In recent years O.E.E.C. has advocated raising the price where it was fixed at too low a level in relation to livestock products and other crops. In general, European prices are not far out of line with the maximum prices fixed under the International Wheat Agreement. Present conditions of high prices and world scarcity provide more favourable conditions for establishing a unified European market for cereals than for any other agricultural products. There is scope for

large increases in wheat production in France and Turkey, but an assured market for any export surplus in the form either of guaranteed price or of tariff preference may be needed as an incentive for this expansion. At present there is no problem of liberalization or removal of restrictions on trade in cereals, and tariff duties are not of major significance. In most countries imports are in the hands of Governments whose chief concern is to obtain imports at reasonable prices rather than to protect their producers against cheap imports. Until the future of the International Wheat Agreement is known it is idle to speculate what might be the bearing of a unified market in Europe on the working of that agreement. The chief difficulty would be to agree on a price, or a range of prices, which would be acceptable to both exporting and importing countries. There seems little prospect of a completely free market for wheat in Europe except behind the protection of a common tariff wall. This need not involve a customs union or political federation; but a common tariff against the outside world could never be accepted by the United Kingdom owing to its ties with the Commonwealth.

Livestock products. The next most important group to be considered is livestock products. Here there are numerous obstacles in the path of any logical integration of European production and trade. The only common ground is the need for more feeding-stuffs and improved feeding practices. On prices and markets there is no coherent policy, but a clear recognition of opposing interests between producers in exporting and importing countries. Exporting countries, chiefly Denmark and the Netherlands, claim that greater freedom to sell their meat and dairy products in neighbouring markets will not only lead to increased production for export and thus benefit consumers by providing increased supplies at lower prices, but may even supply a much-needed stimulus to greater efficiency, and hence to increased production, in the importing countries themselves. The importing countries' representatives, who already have the difficult task of holding the balance even between their own producer and consumer interests, are unable to accept this line of argument. They are prepared to agree, and have said so in more than one Report of O.E.E.C., that in general further liberalization and reduction of obstacles to trade would contribute towards the goal of an expanded and efficient production in the area as a whole. They have even been willing to subscribe to the statement that 'where progress in technical efficiency and in the lowering of costs in importing countries is possible, freer competition will mean an increased inducement to achieve speedier results'. But they have emphasized, and have even

persuaded the exporting countries to recognize, that 'in the short run further liberalization in some countries or areas might create problems of transitional readjustment which might decrease production, or at least hamper expansion'. In other words there would be inevitable dislocation, and in any case a political upheaval, if all measures of protection and price support for farmers were to be withdrawn. It is fairly safe to say that at the present time no Government that proposed completely free imports of meat and dairy products could remain in power. If this is the goal of economic integration, the approach must necessarily be, as Mr. Minderhoud said, by gradual stages, giving time for adjustments in production and lowering of marginal costs by improvements in technique and educational propaganda. Livestock production, particularly dairying and pig-keeping, based on purchased feed, is so much the business of small family farms that maintenance of prices at a stable and remunerative level has almost come to be accepted as a function of the Welfare State and a necessary contribution to social security. I would emphasize once again that 43 per cent. of the agricultural area consists of farms under 50 acres, and 25 per cent. of the area is made up of farms under 25 acres.

Fruits and vegetables. What has been said about meat and dairy products applies also to fruits and vegetables. There is probably no country in the world, except possibly Greenland, where there is no hindrance to the import of fruits and vegetables. If towns had the right to levy tolls, as in the Middle Ages, market gardeners would vote for protection of their local markets. Interference with the free movement of vegetables is now a prerogative of sovereign States. Hence Californian producers of truck crops are protected from competition from Mexico but not from Oregon; Quebec is sheltered from unseasonable arrival of fruits and vegetables from New England but not from Ontario. Scottish fruit growers are protected by quota restrictions and tariff duties on imports from Italy, France, and the Netherlands, but have to face the full blast of 'unfair' competition from England. In the United States where, I am told, tomatoes can be grown in the open air nearly all the year round at different places, there are few glasshouse tomatoes. In northern Europe we grow tomatoes (but not bananas) under glass, because the market is protected. Removal of barriers to trade might mean the gradual decline, if not the end, of flourishing glasshouse industries in Britain and the Netherlands. The present position in O.E.E.C. is that every importing country maintains quantitative restrictions on fresh fruits and vegetables at the times when its own crops are on the market. This

policy not only restricts consumption in importing countries but checks expansion in Italy and other Mediterranean countries where conditions are specially favourable for low-cost production. With the best will in the world it is not easy to work out a logical compromise in this field.

Sugar, wine, and tobacco. Lastly some reference should be made to commodities like sugar, wine, and tobacco which lend themselves more easily than fruits and vegetables to some form of regulation of production and marketing. In each case the crop has to pass through processing factories, and both price and quantity of the finished product are readily amenable to control by Governments. It should not be impossible to harmonize, and even to integrate, by international agreement the construction of sugar-beet factories and sugar refineries, allocation of production and marketing quotas for wine, and even the purchase of tobacco by government monopolies and private factories.

This brief analysis brings us back to the central question on which many are looking for guidance: to what extent and by what methods should Governments intervene to support farm prices and maintain farm incomes? In the United States the farm parity system implies logically three types of government intervention: (a) restriction or even prohibition of imports; (b) a guaranteed market, with the Government as buyer or lender of last resort prepared if necessary to meet a loss by subsidizing exports; and (c) planned adjustment or restriction of acreage to avoid unmanageable surpluses. During the slump of the thirties and during the war and the post-war food shortage this policy has been of the greatest value both to U.S. producers and to consumers in Europe. The effect has been to underwrite an unprecedented expansion of production, particularly of cereals, and to provide a huge exportable surplus of wheat and coarse grains, a large part of which has been financed by Marshall Aid. But with the end of Marshall Aid, and given some recovery in the Argentine and expansion of production elsewhere, where will these export surpluses go and how will they be paid for? What changes, if any, are likely to be made in the U.S. system of farm price support? And what method of farm price support is most suited for Europe?

As Mr. Minderhoud has pointed out progress is likely to be slow. In projects for an integrated European market, which will shortly be discussed in Paris, there are various opinions as to possible lines of development and ultimate goals. One school of thought, led by the Danes, would like to see free competition and free access to markets everywhere—including, if possible, North America. The

French and the Dutch seek a freer market for their exports to neighbouring countries, but would probably expect those countries to give them either a guaranteed price or a preferential rate of duty to protect them against competition from the outside world. Logically, since western Europe is a deficit area for cereals, sugar, and meat, common tariff duties with free trade inside the area might provide all the protection needed. The next stage, if Europe were to follow the example of the United States, might be the establishment of a Commodity Credit Corporation for Europe to guarantee farm prices and buy up temporary surpluses. It is perhaps just possible to envisage a development of this kind, if the European Payments Union should ever develop into something more akin to a European monetary and fiscal union. But when one begins to work out the logical implications of a unified market for agricultural products in Europe, one is soon carried out of one's depth into the deep waters of political and economic federation.

At this point the agricultural economist can only pass the problem to the future Founding Fathers; but I suspect they have not yet made up their minds whether they are expected to draw up plans for an Atlantic Union, to include North America, or (which is no less difficult) to draft a Declaration of European Independence from the United States!

Summary and conclusions. Finally let me try to pick out some of the chief points of this rapid survey of European national policies:

1. There is urgent need and very considerable scope for expansion of agricultural production in western Europe, not to any large extent by increasing the arable area but by obtaining higher yields through the application of modern farm techniques.
2. There has been striking progress since the war by a minority of efficient producers, particularly in grass-land management and improved feeding practices. But the most urgent practical problem is to popularize the new techniques amongst millions of backward farmers and to provide them with an incentive to increase productivity.
3. For political and social reasons Governments are committed to maintain and promote security of livelihood and a tolerable standard of living for their producers and to protect them from the effects of unrestricted competition. If carried too far protection tends to shelter inefficiency, but in moderation price support and assurance of outlets may stimulate technical and economic progress.
4. Large States or Federations of States are, or should be, in a better position than small States to administer farm price support

schemes and technical aid to farmers. The wider the market, the greater the scope for specialization and economic division of labour.

5. Logically this points to the need for integration and a unified market over the whole or part of western Europe. But, as Mr. Minderhoud has shown, this can only be brought about by gradual stages. Its realization is bound up with parallel advances in other sectors. Indeed a unified market for agricultural products, combined with price support and security for farmers, logically implies some form of monetary and fiscal union.

6. National policies in Europe are bound to be much influenced by American policies. If the United States were to adopt wholeheartedly the full-blooded Cobdenite version of free competition and free markets, Europe might conceivably be induced to follow her example. But so long as the United States maintains protection and price support for her own farmers, European countries will continue to do likewise, and expansion of world trade and production will be increasingly bedevilled by competing nationalisms.

7. There may be a way out of this dilemma. Logically what is needed is to find some way of combining the advantages of a unified market for agricultural products with a satisfactory system of price support and technical aid for farmers over the widest possible area—including the U.S.A. and the Commonwealth as well as European and other countries. But this is at present beyond the horizon and must be left as a challenge to the rising generation.

J. R. RAEBURN, *London University, England*

I am happy to have this first opportunity to thank Dr. Nourse and Mr. Lloyd for their stimulating papers. They are a good pair but whether we get them hitched up together by the end of the day to the same conclusion remains to be seen. It is my function, I believe, Mr. President, to put some of the harness on Dr. Nourse.

But I must say straight away that I appreciate his frank and forthright paper and his interesting use of the historical method. In general, I believe many of us would agree with him that one of the jobs of agricultural economists is to prevent government intervention in supply and price regulation from doing harm. Anyway, most of us are engaged in that task in greater or lesser degree.

Dr. Nourse's fears, and our own, are that government intervention leads to faulty allocation of resources, because price relationships are, one way or another, manipulated—the price relationships between different products, between different qualities, between the same products in different regions (or countries in Mr. Lloyd's context)

between products and factors (outputs and inputs). We all agree, I think, that this is fundamentally undesirable because over time, and between regions, and between products, and between small and large farms, the principles of comparative advantage—marginal principles—are not fulfilled.

But there is another set of essential ideas in economics that we have to bring into the analysis. It is quite obvious from Nourse's own paper, and too, from Lloyd's, that we have to take risks and uncertainties very fully into account in trying to interpret past experience or make recommendations for the future. As Nourse himself has stated on page 42 of *The Searchlight on Farm Policy*: 'The fact that farming is still a small-scale and high-risk industry must be taken into account in future policy making.'

It seems to me that we as economists will never be able to make wholly sound policy recommendations unless we understand risks and uncertainties more fully—their basic causes, and farmers' reactions to them.

Let us think of some of the main risks and uncertainties: instability of the general price level, largely due to variable general demand conditions, and monetary, financial, or general commercial or defence policies; variations in supply (due to the weather and other causes) hitting up against inelastic demand curves for individual products, or the belief that demand curves are inelastic; in the longer term, inter-regional competition, and changes in the economics of scale, due for instance to changes in farm machinery designs. In the European context, we can add still others: (i) balance-of-payment situations, the very narrow elbow-room that Governments have in which to manoeuvre these days; (ii) farmers' uncertainties as to how Government will manoeuvre; (iii) doubts about the continuity of supplies of such things as sulphur, phosphate fertilizers, and so on.

Now, I hope I shall not be misunderstood, because I do believe that almost all attempts to abate uncertainties through government interference with prices and supplies are bound to result in some apparent divergence from marginal principles. Quite often it is a gross and wasteful divergence. I am not denying that. I remember a long time ago Dr. G. F. Warren saying that whether government intervention would lead to wise results or not greatly depended upon the ability of Government to say 'No'. If we look back after a few years I think we will see that Dr. Nourse's paper is a good endeavour to strengthen the U.S. Government's ability to say 'No'. I believe that is highly important. But I am suggesting that if we as economists are to interpret the behaviours of Governments and farmers

fully and correctly, we should pay far more attention than we have done in the past to risks and uncertainties, and to the dynamic, forward analysis of resource allocation rather than the simple static analysis.

I remember being told in Dublin just after the war, 'We Irish economists said De Valera was all wrong to grow more grain in Southern Ireland. Ireland was a grass country and should devote herself to cattle and sheep, and import the grain for her pigs and poultry. But De Valera paid little attention to us. And, dang it, along came Hitler and proved him right and us wrong'.

I hope I can prove that I am still unbiased in this matter if I add two further points.

Sometimes Governments in trying to reduce uncertainties succeed only in aggravating them, because, for instance, there is serious discontinuity in the pricing decisions, and, inevitably in the democratic world, there are changes of Government. Also the ability, or degree of inability, of any one Government to say 'No' changes with the general political scene and this is not necessarily related to the specific pricing problems in hand.

Finally, I think we have to recognize that Governments' inability to say 'No' arise in part from ideas about equity and social justice. Such ideas can pull us into deep water for economists. But we cannot very well avoid them if we are helping to formulate policy when, for example, the general price level is still liable to prove highly unstable; when, secondly, we still have a long way to go, at least in the Southern States and in most of Europe, in adjusting farm sizes to secure the now possible economies of scale; when, thirdly, there remain the general social psychology and philosophy behind the United States Employment Act of 1946, of which Dr. Nourse is justifiably proud; and when, fourthly, this psychology and this philosophy are being extended and intensified by the raising of the general level of education.

L. W. WITT, *Michigan State College*

Two interesting and contrasting papers were presented to us this morning. The ideas of both would find support with important groups seriously concerned with the functioning of their nations and the world, and it is out of these contrasting points of view that we are trying to fashion programmes and policies which will more effectively meet the problems which face our generation. It may be worth while to see what common or closely related points of view can be pulled from these two papers.

Dr. Nourse presented very excellently the case for assisted *laissez-*

faire in agriculture—not a case for non-intervention by Government, but rather a programme by which farmers could better make decisions for improving productivity and lowering costs. Rather than centralizing decisions for twelve nations in one super-government in Strasbourg or for forty-eight States in Washington, he discussed how decisions were decentralized to 5.4 million farmers who have become over the years important decision-makers in their own right. You must realize that we do not all agree that it is desirable to centralize all decisions in Washington.

He then discussed recent changes in policy whereby certain decision areas became centralized and implemented through acreage controls, storage programmes, and price guarantees. These programmes were inaugurated in efforts to improve the social welfare of farm groups through political action. Dr. Nourse raised serious questions whether this procedure contributed to improved resource use, or to stability through time, of the over-all economy through propensities to produce, spend, save, and invest.

Our second speaker, Mr. Lloyd, proceeded in quite a different manner. The overriding goal in agriculture in the European nations appears to be the expansion of production, largely considered within national units. The means of implementation can be put into two major groups—an expansion of technical services to farmers through vastly expanded educational facilities, and to the stimulus of favourable relative prices for some products compared to other products, provided cost of living is not unduly affected. But when he moves into the problems of integrating national economies, this function of price seems to be left behind. Price becomes a means of improving the welfare of farmers whose efficiency does not permit them to compete effectively with low-cost producers in Denmark, the Netherlands, and overseas, but whose numbers make them a political force which must be considered in national policies. To many of us this use of price is misplaced even if clothed in such a euphonic term as a 'modern Welfare State'.

We may not always agree that meticulous control of income levels and income distribution is a proper function of the State, but given this assumption, we should as economists try to keep the price system for the use for which it is intended—the best allocation of resources between enterprises, firms, and national and geographic areas. In fact, however, Mr. Lloyd plays up the role in the United States scene of planning price guarantees and a willingness to dump agricultural products as being responsible for the unprecedented expansion of grain production, and seems to ignore the stimulus pro-

vided by the rapid upsurge of grain prices in the same period. Compare if you like, the security provided by Argentina and the United States and contrast the prices paid to the farmer and the resulting changes in production. It is clear that prices still have played an important role.

Both speakers, however, suggest that the important influence and attention given to farmers in the political sphere contraverts efforts which could otherwise be made to attain better use of human and physical resources in Europe and America. Neither of them provides suggestions which would decrease the role of the political processes and increase the importance of technical efforts and local decision-making by the capable farmers in both of these great economic areas of the world.

Another core of agreement may be found in the emphasis upon improving the technical and economic knowledge of the producers of food and in providing better educational and productive services to the farmers of the world.

At the same time, in considering the problems of agriculture I find that both speakers have given little attention to the importance of changes in the business-industrial areas of the various nations. Is it not more important to consider the logic of a policy of integration of American and European industry, and along with it an integration of monetary and fiscal policy, so that American industrial imports can be expanded and the best use made of the European industrial potential? The inflation which we have recently witnessed in this country offered an opportunity for a more realistic relationship of exchange rates and purchasing power. But much of this opportunity has been lost by similar inflationary changes in Europe. So long as we have sticky urban wage-rates a revaluation or inflation of the dollar is a desirable alternative to devaluation of the European currencies—but if the latter alternative is to be avoided in Europe, fiscal and monetary policies must work towards stabilization of the general internal price level, not of each price individually as has been too much the practice. Higher raw material prices paid in competing with the United States pose problems for European importers of course, but the additional income thus provided to the less industrialized raw material producers should create a substantial market for the products of the European workshops. It is disheartening to consider that in a period of world shortages, increasing incomes, and inflation, it has not been possible to attain a greater degree of economic integration or to have greater expansion in low-cost areas. What then, will occur if we move into a period of price stability or, even worse, a period of economic decline?

On the integration of the ideas represented by these two papers, I believe that most and probably all of the Americans here would agree that we have a responsibility for improving the opportunities for industrial products to come into our market from other countries for the production of both military and non-military items. The world is engaged in a great struggle. Our lives and, more important, the ethical values of our civilization are involved. This is not a period for caution and protection in our economic policies. We must take some chances that the programmes may not work. The European pioneers who settled our mid-west or the vast areas of South America and Australia were gamblers. We must gamble too that the import of European cheese, or dependence upon European industry for certain military and industrial items, will bring returns that are worth the cost.

D. GALE JOHNSON, *University of Chicago, U.S.A.*

I should like first to say something about Mr. Lloyd's paper. It seems to me that in the first and last parts of his paper he is trying to maintain two entirely divergent positions. In the beginning he said he noticed that many Americans who favour a United States of Europe assume that a single large nation has better circumstances within which to develop itself economically than many small States have. He maintained that this is not necessarily true and that the question of the ratio of population to resources may well be a more fundamental factor. With this latter point I think we can well agree. But I think it is also true that the major dictum of Adam Smith, propounded almost two centuries ago, that the extent of the market limits the division of labour, is still a valid statement of the problems of many of the smaller countries of the world.

Now in the latter part of his paper Mr. Lloyd makes the specific statement that the wider the market the greater the scope for specialization in economic division of labour. And it seems to me that this is what is meant by the prospective development of Europe: that it should not be so much an integrated political unit but rather that there should be an increase in the area of free markets within the European framework. This, I believe, would certainly lead to an improvement in the allocation of resources. One basic issue which, it seems to me, has not been touched upon at all in the two talks this morning is one which lies at the heart of several of the problems of integration in Europe; it is the question of whether or not there are too many resources devoted to agricultural production—not too many in an absolute sense (I am not arguing that the total output of

agricultural products in Europe is too large; it may well not be), but whether too much labour and time and too many other resources are not being devoted to agriculture when they might well be devoted to other forms of production. We have the same problem in the United States, particularly in the south, and as we have not yet been able to solve it for perhaps a third to half of our agriculture, we cannot very well decry the Europeans for not solving theirs.

I should like now to turn to an issue which has been raised frequently in the Conference—by Mr. Richards yesterday and by delegates from Canada and Peru: whether or not the recent developments in the foreign trade policy of the American Congress, particularly the amendments to the Defence Production Act, which restricted the imports of certain dairy products either absolutely or through a quota, really represent a fundamental change in American trade policy. I am not making an excuse for this or for certain other actions that we have taken recently, but I think I can perhaps provide an explanation which will put these actions in proper focus.

I will make three very brief points here. Considering in the first place three of the actions taken within the last four or five years for agricultural protection which have most directly affected international trade, it simply is not true that they were basically a result of pressure by organized agriculture. These three actions are, first, the subsidy provisions in the Marshall Plan, as well as so-called commodity provisions which may have had some impact on the imports of agricultural products; second, the amendment to the Defence Production Act; and third, and more recently, the extension of the 90 per cent. of parity provision for the durable commodities for another year. No one of these three legislative provisions was backed by all the major American farm groups. In fact the first two of them were fought by every important general farm organization in the country. In the case of the extension of the 90 per cent. of parity the two largest farm organizations, in terms of numbers, opposed it, one other farm organization supported it, but what one might call the political strength of the group was against the changes. I think that it is likely to continue to be true that our farm organizations, by and large, now have an attitude towards foreign trade policy which is the most favourable it has been in the last twenty years, and we can expect it to continue.

My second point is: how can one explain the behaviour of the U.S. Congressmen in putting forward these particular acts? In each case, particularly the amendment to the Defence Production Act, the change in our laws came about through a rider to relatively

unrelated legislation. One thing which may very well explain part of their behaviour is that there is a feeling on the part of a number of American congressmen that many of the gains which American agriculture was presumed to obtain from reciprocal trade agreements have been negated in the post-war world by exchange controls, import quotas, licensing, discrimination against the dollar, and so on. And they feel and argue, if you read the hearings on various trade acts of one kind or another, that the American farmer has in some sense been discriminated against in these actions. I certainly think they fail in part to understand some of the reasons why the major importers of the world had to resort to these moves. But, given their convictions and their failure to understand some of the difficulties faced by the importing countries, it is not unreasonable, I think, that they should respond to the demands of the pear producer, the citrus producer, the corn producer, and certain other limited commodity groups when they ask for additional protection.

Finally, one has to recognize that the mechanics of legislation and executive action with respect to international trade in the United States is a very involved apparatus. There is really no single co-ordinating mechanism for the formulation of foreign trade policy in the United States. Within the Congress a Bill which deals with foreign trade may go to any one of a number of committees. It may go in the House, for example, to the Agricultural Committee, or to the Ways and Means Committee, or to the House Foreign Affairs Committee. In the Senate, roughly the same problem arises, and the fate of a particular action, whether or not it is accepted by Congress as a whole, may depend very largely upon which committee it goes to. If it goes to the Agricultural Committee and appears to be favourable to American agricultural interests the Committee will report on it favourably and their colleagues will generally accept it. If it goes to the Foreign Relations Committee and they reject it on the grounds that it is inconsistent with the rest of our trade policy the chances are that that decision also will be accepted. Within the executive the same problem also exists. The Department of State has on the one hand been the major carrier of a freer trade policy; the Department of Agriculture and the Department of Labour and many other executive departments feel a major responsibility to the farmers of the United States rather than to the general public. And so the advice going to the President from within the executive is frequently conflicting and inconsistent.

Within this framework it is clear that it is no easy task first to formulate and then to carry through consistently a given line or

policy. But let me say that Congress's recent actions are not proof that the United States will not continue with the improvements made in the last twenty years in freeing international trade.

A. CRAMOIS, *Caisse Nationale de Credit Agricole, France*

The conclusion presented by Mr. Lloyd, namely, to constitute a kind of credit corporation for maintaining agricultural prices in Europe, seems to me one of the most intelligent and positive proposals which have been made during this Conference for helping the European nations to realize a degree of accord which I believe to be indispensable. Naturally, the purchasing power of the European farmer is much less than the purchasing power of the American or Canadian producer and this divergence is particularly obvious for a large number of French farmers. Whereas in the United States there is a system of assistance which prevents agricultural prices from falling below a certain standard which is considered critical, governmental action in France, as in other European countries such as Holland and Western Germany, is exerted in such a way as to prevent or slow down a rise of agricultural prices—and that for a monetary reason, as has been stressed here today. One of the great difficulties that we must overcome in Europe arises from monetary obstacles and is a result of this governmental action which prevents and slows down the rise of agricultural prices so as to prevent the threat of inflation from taking place. My work is in the Bank of France as a member of the Board of Directors, and I must say that the depression exerted on the French franc is much greater than most of you can imagine. From reading the newspapers during the last few days I observe that even our American friends are a little apprehensive about balancing their budget, but any anguish that they may suffer in that respect today has been our experience for thirty years. Even some of my European colleagues themselves, perhaps, cannot appreciate fully the pressure which two destructive wars and the threat of a third, or the sort of conflict that is going on in Indo-China, can exert on the franc. That is why the problem of exchange is of the utmost importance in France, and at present has priority even over the problem of the purchasing power of the workers. One example which Mr. Lloyd mentioned in his paper is illustrated by the sacrifice which the French farmers made by accepting the rise in the cost of wheat, while the price of the industrial goods they had to buy went up by 20 or 30 per cent., and that was even before the beginning of the Viet-Minh rebellion. That is why I wanted to tell you that I share the conclusion presented by Mr. Lloyd and especially that

part of it which concerns the problem of price supports in Europe. I believe that it is in adopting such a solution, and in having continuity in governmental action in that direction so long as we can, that the European solution lies. I think of that phrase used by Winston Churchill in the most difficult period of the war when he promised the British public blood, sweat, and tears, and I hope that our old countries of Europe will be able to bring enough intelligence and sweat to the construction of an integrated Europe to save us from experiencing new sacrifices in tears and blood.

J. D. BLACK, *Harvard University, U.S.A.*

I rise at this last meeting of this highly successful Conference to remark that if the economists of this country follow Dr. Nourse's parting injunction to make the present agricultural price-support programme as little harmful as possible, they may very well find the way to convert it into one that will come nearer to maintaining an equilibrium price, and keep supply and demand in better balance than prevailed before 1929, or would be likely to prevail if we were to attempt to return to pricing without any government intervention. The Agricultural Act of 1948 with its 'modernized' parity and variable pricing schedule represented clear progress in that direction. It is true that the cotton and tobacco producers, aided and abetted by some public representatives of other groups, were able to obtain special favours in the following Congress, but this need not always be the case. Whichever party elects its candidate in the present election, a political situation could well be created in which these groups will not hold the balance of power and will not be able to obtain what seem to them like special favours.

I differed from you, Dr. Nourse, in 1935 when we and J. S. Davis wrote *Three Years of the A.A.A.* as to the need for continuance of public production adjustment measures, and I still differ from you, as will be apparent to anyone who reads my review of *Turning the Searchlight on Farm Policy* in the last issue of the *Journal of Farm Economics*. I was greatly disappointed at the prostitution of the worthy objectives of the Agricultural Adjustment Act of 1933 that occurred from 1937 on. But I have not given up hope.

I gain new hope, of course, when I see supply and demand kept in such good balance by public programmes as in the case of milk in the past four years in the Boston milkshed and in some other milksheds. Formula pricing is by no means the only device by which to achieve such balance. A carefully designed forward-pricing arrangement combined with a variable supply-price schedule might accom-

plish the same ends with other farm products. Full adjustment, however, is likely to call for other and supplementary types of adjustments. This will notably be true in the south.

All of which leads to the point that the term 'assisted *laissez-faire*' which Dr. Nourse credited me with is highly flexible. Mr. Lloyd has surely applied it to devices which I did not have in mind when I used it in 1929 in *Agricultural Reform in the United States*. I would probably not include under it all that he would, but I would include in it all or nearly all of the measures outlined in Chapter 21 in Black and Kiefer's *Future Food and Agriculture Policy*, which means going a good bit farther than Dr. Nourse would favour except for political expediency at the time.

Given a programme thus broad and well-balanced, the ends of a truly competitive economy could be more nearly realized than commonly in our nation's past. We would also be freer from the threat of an economy dominated by a pluralistic political system with Labour in the seat of power, or Agriculture, or Big Business, and the danger that one of these, by organizing more or less of a police State and using the modern instruments of control, would continue itself in power too long if not indefinitely.

R. G. PATERSON, *Basingstoke, England*

If I may, I want to come from the general to the particular to show the effects of some of these policies on the reactions of a farmer. During the war period in England we were directed as to which crops should be grown. These directions were readily accepted at first, both from reasons of patriotism and because farming was sufficiently profitable. Among other crops an extensive acreage of potatoes was grown. Soon it was evident that the crop was not well suited to my area as it involved a wasteful use of resources such as labour, fertilizer, and machinery, whereas grain could have been grown more economically than would have been possible in other areas. In spite of this we were asked to continue growing it, and the results were wasteful. Whether compulsion is used or an appeal to patriotism, the results are not really left to the discretion of the farmer to use his judgement.

On the other hand, various price policies may be used to give the farmer a greater choice. Pre-war we had the Milk Marketing Board to sell all our milk in the best available market, pooling the receipts before paying the farmer. We also had a method of selling wheat where the growers, as a body, received a guaranteed price for a certain quantity, the balance being sold at world prices. Either method

meant that a producer increasing his sales might depress the over-all price only slightly. Thus production might be expected to shift gradually from the higher cost to the lower cost areas.

There is another method of selling whereby the individual producer has a basic allotment beyond which his own production would be sold at a lower price. Thus his over-all price would fall rapidly and he would be faced with the decision whether he should increase his production or turn to some other crop.

Each of these methods of directing cropping by government order or price policy has a different effect when it comes to deciding what is the best policy for a country to follow.

D. A. MAULIT, *Philippines*

In an endeavour to find a solution to certain agricultural price problems in the Philippines, I have been studying certain aspects of American Farm Price Policy for some time now, and I was interested to hear Dr. Nourse say that in spite of his conclusion that the macro-cosmic factor in farm management (which has been introduced through the last twenty-odd years of agricultural legislation) constitutes retrogression rather than progress, his prognostication is that it will persist for the discernible future. Also, that the practical problem of the agricultural economist is to make it as little harmful as possible. These statements lead me to believe that he finds it difficult to reconcile what is practical and useful with what he holds to be the ideal for a national economy or for the American national economy in particular.

Then again he says that when hypothetical projections become the basis for a control formula to which implementing devices are geared for a season or even longer in advance, they impede rather than promote a functionally correct allocation of resources. Or again that the very idea of a formula stultifies the need for universal and constant flexibility which is the essence of market guidance.

These objections, I believe, are valid only when the formula itself is rigid. It must be flexible, and I think it can be so made. In other words, a formula providing for a dynamic parity between the two major segments of the economy, the industrial and the agricultural, is not impossible. In fact, I am hoping to propose legislation in the Philippines shortly for such a price formula which I devised in 1949. Whether I shall succeed or not is, of course, another matter.

O. C. STINE, *Shepherdstown, W. Va., U.S.A.*

I propose to second Dr. Black in revising the last sentence of Dr. Nourse's paper. You remember he said that the practical problem

for the agricultural economist is to make government intervention as little harmful as possible. I propose to revise it to read, 'the practical problem for the agricultural economist is to make government intervention as effective as possible in accomplishing its objectives'. In fact, I do not like the use of the phrase 'government intervention'. I would prefer to describe these policies and programmes as 'government participation in developing and maintaining agricultural resources in the national interest'.

Dr. Nourse presented a masterful survey of the development of policies. I have no question, no point to argue with him until he reaches the point of criteria and evaluation. He presents in his statement of criteria and appraisal the logic of the opposition to such government programmes and not the logic of those who participated in their development.

I recall, by reading a few sentences: 'The two questions', he says, 'are one. Will the aggregative approach to rational guidance of agriculture bring about better allocation of resources within agriculture and between agriculture and other uses and promote sustained high general productive activity?' Later his answer is, 'No'. He gives as the reason: 'The nature of operative business and in a special sense the operative problems of farming are such that the individual manager is the best, indeed the only adequately informed and competent judge of what will constitute the best use of resources available to him in the actual situations to which the decisions and the subsequent operations apply.' Obviously from this statement Dr. Nourse believes that if a government agent should come to a farmer and suggest to him that he might improve his income by doing something a little differently, or if he comes to the farmer and offers to help him purchase more fertilizer, provided he will not use it on wheat, that the agent will diminish, in some way, the national output. The only way to get maximum national output is to let the individual farmer make all the decisions. Without regard, presumably, to the value of that output, or to what all the other farmers are doing.

Of course, I do not think he will follow me quite so far, but I challenge his statement; and I think the actual output of the agriculture of the United States since the programme has been in effect, since 1932, challenges the statement and all the implications—that government 'intervention' has been a handicap to the development of agricultural production. I think that Mr. Bean could have gone farther than he did last night and told you that the great increase in exports and the expansion in food supply for the people in this country were produced with a great reduction in manpower. We

have had in these years a great increase in efficiency of agricultural production despite government 'intervention' and, I say, *with the aid of* government 'intervention'.

Now, take the second question: Will the centrally determined allocation of the farmers' part of the national-income stream produce a better maintained and more technically correct expression of the great economic motive forces, to wit, the propensity to produce, the propensity to spend, and the propensity to save-invest? This, by implication, I think, overstates the extent and character of the government participation, or involvement, in the direction of the use of funds obtained from agricultural production. The government participation has been primarily and almost solely a matter of stabilizing prices to some extent, and in some degree maintaining income.

And there is another statement, that reads, 'when government intervenes, except in certain practices, it disturbs a set of cost, profit, capital forming and spending relations which must then be compensated for the economic processes impeded'. I would submit that the record will show that economic processes have not been impeded, that the agricultural price support programme has really, both directly and indirectly, contributed significantly to maintaining a more even flow of production (except as expansion or contraction was needed in an emergency) and to maintaining income to the farmer in emergency weak points.

O. J. BEILBY, *Department of Agriculture for Scotland*

I would like to draw attention to one point mentioned by Mr. Lloyd when he was referring to the agricultural policies of Sweden and Switzerland. The point is, I believe, of particular importance in many countries and especially in Great Britain at the present time. I refer to the difficulty of securing a better allocation of resources within agriculture which arises from the fact that on small farms milk is one of the chief sources of livelihood. This is, of course, because milk production produces a greater output and a greater income than beef from a given acreage. At the same time in Great Britain, and I think in some other European countries, there is a much greater unsatisfied consumer demand for meat than for milk. In default of any scheme for amalgamating small farms into larger units the effects of price policy on the incomes of small farmers are bound to be given considerable weight in countries such as Great Britain. For, despite the sheltering of British agriculture to which various speakers have referred, the incomes of many small farmers, even today, cannot be

regarded as adequate. These farms are generally largely dependent on purchased feeding-stuffs which have to be imported at world prices and these show fluctuations from year to year. In general, the economy of these farms is particularly at the mercy of instability in world economic conditions, unless Governments protect them either by subsidizing their costs of production, or the prices of their end products, or both. Apart from the social repercussions of allowing such farmers to go out of business, which might well be the result if the principle of comparative advantage were allowed free play, it is difficult to justify such a policy when agricultural expansion is a generally accepted goal. Some of our American friends may feel, and I think have suggested, that such agricultural expansion is not making the best use of resources, but the arguments for it seem likely to remain very strong at a time when, as Prof. Nash showed last night, the purchasing power of industrial goods over food is likely to decline. The basic difficulty, then, to which I would like to draw your attention is that in countries with limited land resources greater output and probably greater efficiency can be achieved by concentrating on milk and similar intensive forms of production, rather than on an extensive form of production such as meat. It is not easy to frame an agricultural policy to reconcile this with the consumer demand for more beef.

J. MURRAY THOMPSON, *Office of Price, Production and Marketing Administration, U.S.D.A.*

In agreement with Dr. Stine, I like the development of Dr. Nourse's paper up to the point where he objects to the so-called federal price and production programmes in agriculture. I had the feeling that some of you who are not close to these action programmes might go away with the feeling that our agriculture had more centralized planning in it than it actually has. For instance, at the present time the only commodities for which we have acreage allotments and marketing quotas are peanuts and tobacco. Together they constitute about 1 per cent. of our agricultural acreage in crops. There has never been legislative authority for marketing quotas on livestock, poultry, or their products. The only legislative authority on the books for marketing quotas and acreage allotments applies to the six basic commodities and we have used quotas on four of them; but in times like the present they have little use. Take wheat at the present time. We have a large supply, but the Secretary, because of the emergency, did not ask farmers to decide by vote if they wanted marketing quotas on wheat.

I do not believe Dr. Nourse was referring to our production goals programme when he was talking about a centralized planning of agriculture, although some of his comments might be so interpreted. He seemed to be talking more of a controlled agriculture. In our goals programme we develop requirement figures for all the major commodities and many minor commodities and suggest national and State acreages and production figures for farmers to consider in making their own plans. I like to think of our goals as a refined outlook programme. Almost everyone approves of the outlook and other educational programmes we have had for thirty years. The goals programme merely states the outlook in specific figures, which makes it easier for a farmer to understand and use. The goals programme is completely voluntary so that I do not think of it so much as a centrally planned agriculture supply programme as I do as an effort to help each farmer arrive at what is needed from his farm and what may be most advantageous for him from the standpoint of price and income. Farmers are encouraged to meet these goals by the price support programme. Under that programme we generally announce the level of support before planting time, so that the farmer will have some idea of what to expect in the way of price. This advance information helps him plan his operations better. He himself, rather than the Government, decides which crops or livestock to produce. As I indicated previously, the only commodities where the Government now sets some definite acreage and marketing quotas for individual farmers are peanuts and tobacco.

It seems that Dr. Nourse thinks less good has come out of these price support programmes than I do. We do not have time to go into a lot of statistical evidence here, but in my opinion the income of farmers has been stabilized and increased in certain years through these programmes. But not only that. As part of these programmes we have built up reserve supplies of storable commodities, such as wheat and cotton, which have been very useful in emergencies. One of the latest sizable useful reserves was cotton after the Korean conflict began. We had almost four million bales of cotton at that time. I admit that we were getting a little worried in the spring of 1950, for fear we were getting too much cotton. But it seems wise to have some reserve supplies of storable commodities to protect us against possible drought, or low yields, or poor production for any reason, or for emergency needs—in this country or other countries associated with us in the fight for freedom. For instance, when we were having a drought in July we wished we had more corn either in private hands or in the Commodity Credit Corporation inventory.

Over the history of the past ten or fifteen years these accumulations were not the major objective of the price support programmes. During the last few years more emphasis has been placed on reserves. Actually this is one place we might need more centralized planning—in developing specific levels of reserves for use in drought and other emergencies. I believe most people would prefer to have a little more corn on hand in the C.C.C. or in private hands in order to avoid liquidation of livestock if we should have another '1947 corn crop'.

Looking ahead and trying to build up reserves is quite similar to Joseph's idea of building up reserves in the seven fat years to take care of his people in the seven lean years.

Y. LOWE, *Embassy of Israel, Washington, D.C., U.S.A.*

When Mr. Lloyd stated that the approach to the goal of economic integration must necessarily be by gradual stages, giving time for adjustment, &c., I would like to stress that time in itself is not enough to induce producers to change their production. The same approach, of giving time, has prevailed for a very long time already without having any remarkable success. Evidently, if it is the intention of European countries to change something in the way of production so that farmers would not be hurt too much by an opening of—or let us say by a slight change in—the existing trade barriers, would not it be advisable to make up a programme and tell farmers in advance that the Government intends to make certain changes in customs or in import restrictions beginning from this or that year. Then the farmers would really know that they had to make adjustments within a certain period. Otherwise, I am afraid that they will postpone any adjustments, relying on the fact that often in the past they were really not asked to adjust themselves in any way.

Dr. Raeburn mentioned that Ireland was lucky in that the Government did not follow the advice given to it by agricultural economists with a result that the agriculture of Ireland was prepared for the onslaught of the war. Well, if this statement would allow for generalization it would indeed mean that any country had mainly to prepare for war. It would lead to a tendency of self-sufficiency which in many countries, especially of Europe, would be connected with protectionism, with increasing costs of production for a good many foodstuffs and resulting increased costs of living, increased costs of production of industrial goods, &c. It is the old Latin proverb, *si vis pacem para bellum*. Would it not be better to realize that every step in an opposite direction, making best use of natural resources and

encouraging freer exchange of trade, would eventually lead to a higher standard of living of all the countries concerned?

A classic example is the expansion of sugar-beet cultivation in Europe, which in Great Britain increases the cost of sugar to the consumer by well over 100 per cent.

Would it not be better to rewrite the proverb, *si vis pacem para pacem*?

A. P. JACOBSEN, *Statskonsulent, Denmark*

With regard to the creation of a unified European market I should like to raise two questions. The first is, what is Europe? We know that the eastern countries and east Germany are not included, and that the United Kingdom has declared it could not participate in a European market scheme. But on the other hand, Turkey is in. My second question is, what is a market? I assume that you understand by a market, a country or an area which normally imports some of the commodities in question from the outside world. And now a small investigation shows that the area we are thinking of in Europe—the rest of Europe I should say—has a surplus of all kinds of animal products, a surplus of milk and milk products, a surplus of beef and beef cattle, a surplus of pork and bacon, &c. That means that there is no market. In spite of that it may be possible to make some arrangements within this area, we hope in connexion with Great Britain. But a real solution can only be found if we go the way already indicated by Mr. Lloyd. That is to say, if we enlarge the area and aim at unified world-wide markets.

A. HUNI, *Union Suisse des Paysans, Brugg, Switzerland*

I should like, if I may, to give a little additional information about agriculture in Switzerland. Mr. Lloyd says that the Confederation fixes a guaranteed price for wheat and coarse grain by undertaking to buy all cereals offered to it. This was true only during war-time. In normal times the Government guarantees prices and buys cereals only so far as they are used for breadmaking. Also, he says that until recently there was a traditional export of Swiss cheese to the United States. The words 'until recently' should be left out, because the break in this trade no longer exists. I should like to say too that I hope there will be no such break again, because the United States generally recommends people in Europe to free their markets, and it is a pity if it stops imports to its own country, especially from Switzerland, because the Swiss buy more from the United States than

they export to the United States. In 1950 Switzerland exported to the United States a value of 550 million Swiss francs, but imported from the United States a value of 626 million Swiss francs. His statement that in 1950 beef production in Switzerland was only two-thirds of the pre-war level does not agree with my figures. These show that average beef production in 1931-40 was 111 thousand tons and in 1950, 82 thousand tons. Expressing home beef production as percentage of beef consumption, the average for the years 1931-40 was 95 per cent., in 1950, 81 per cent., and in 1951, 83 per cent. The population has increased since the 30's, so we can say that beef production is not more than between 10 and 15 per cent. below pre-war levels.

L. H. BEAN, *United States Department of Agriculture, Washington, D.C.*

May I add a little statistical ballast to this discussion? When we speak of the allocation of resources, it is of course possible to think of individual commodities, of particular labourers, particular pieces of machinery, and even particular fertilizers. But if you think of the aggregate picture of agriculture in relation to the rest of the economy, the agricultural population in relation to the rest of the population, I believe you will find that we have now about the best allocation of that particular resource that we have ever had. The farm population today represents the smallest proportion in the total population of any in about the last 150 years. That proportion of the farm population to the total, or the proportion of our working population engaged in agriculture, tends to fluctuate up and down. It tends to be modest in years of industrial and agricultural prosperity. It is under prosperous conditions that there is the greatest tendency for the farm population to shift to non-agricultural occupations, and that is the situation that we have had in recent years, and that we had in the 1920's. But when you have a combination of industrial stagnation and industrial depression, the reverse is true; you tend to have a backing-up of farm population. So, in judging what these recent programmes have meant with regard to the allocation of resources in the aggregate I think you will have to chalk up a favourable mark.

With regard to efficiency, I would like to leave one particular fact clearly in your minds. I am sorry I cannot give it to you in chart form as I should like to do, but if any of you like charts will you please look out the August *Agricultural Situation* published by the Bureau of Agricultural Economics. You will find there that, in the United States, yields per acre in the aggregate have followed a horizontal course for the entire recorded period from 1860 to 1930. There have

been fluctuations up and down of course, but no visible upward trend. From about 1933 or 1934 you see a rise which represents, approximately, a 45 per cent. increase over the early 1930's. You will also see that the record of the fertilizers used in the United States from about 1910 to 1930 follows a similar, practically horizontal, curve and then, when recovery in prices and income began, you see a rise in this line too, paralleling the rise in the yield per acre.

So there you have a rather neat illustration, if you do not force the correlation too closely, of what the programmes for stimulating farmers to be more efficient have done to yields per acre since 1933. I think you can say that most of that 45 per cent. increase, except for that portion of it which is due to hybrid corn and a few other such items, may be traced to the composite effect of all the programmes that Government has been promoting, and to education.

Turning to Mr. Lloyd's beautifully organized paper, when he referred to the American programme, you will recall he listed three types of government intervention. He said (a) that the programme is essentially one of limiting imports into the United States; (b) that it has to do with government operations for dealing with surpluses by purchases and loans; and (c) that it concerns acreage adjustments. From an American standpoint, not from a European where most concern is with export and import problems, I should like to see that order exactly reversed. Most of us think that in the farm programmes in the United States the major aspect is the acreage problem. Mr. Lloyd's item (b) has really to do with the inability to control volume *through acreage*, because sometimes you get surpluses indefinitely, unless the Government steps in to absorb them for other programmes. It is only after you get into these problems of acreage and surpluses that you bump into the problem of imports. I suggest therefore that Mr. Lloyd's item (a) should come last.

H. C. M. CASE, *University of Illinois, U.S.A.*

It was not my intention to say anything this afternoon, but as the discussion develops, one is moved to make a few comments. I found myself in close accord with Dr. Nourse's excellent paper. Without a careful analysis one is entitled to draw one's own conclusions regarding the past experience with agricultural programmes in this country. We should point out to our visitors, I believe, that our experience with farm programmes is not free from criticism and some rather strong differences of opinion exist among people in our country. We have at least gotten our feet wet in production controls

and perhaps we should take the temperature of the water before we go very much farther. I should like to emphasize the need for analysis to determine where we are going. We have probably gone as far in tobacco controls as we have in any product and you people from other countries should know that it is commonly said in tobacco territory that the allocation of a one-acre allotment of tobacco has added about 1,500 dollars to the value of the land in some areas. So as we develop programmes we should be interested in studying rather carefully how much of the advantages or assumed advantages from programmes may become capitalized later in the value of the land and perhaps lost to the current operator of the land. Regarding production planning and controls, someone must carry considerable responsibility when we begin to set acreages and goals on a national basis. This is true especially of products produced in excess of domestic demand. We should note it is difficult to estimate in advance of harvest what production will be attained for a certain crop. There was a large margin of error in predicting the production of the cotton crop a year ago. While our gross production may be predicted, on the basis of statistics over a period of years, for a widely grown group of crops, we must remember that production of individual commodities is highly important to farmers in restricted areas of the country. I am not an authority on the accuracy of statistics, but with due regard to Mr. Bean's comments I think that this is the first time that I have heard the New Deal agricultural programmes credited for the gains arising from the introduction of hybrid corn. Nor do I think the gains in production due to advance in breeding of other crops has been any less pronounced than in the case of hybrid corn. United States farmers recognize the effect hybrid corn has had on production. They will tell you hybrid corn has added 25 per cent. to production and they are practically correct. Farm management analyses along these lines indicate that the improvement in the breeding of oats, wheat, and soya beans has been virtually comparable to the improvement in corn. As improved varieties come into use and the fertility of the land is eventually lowered, farmers know that more fertilizers must be used. Certainly I cannot credit the use of fertilizer in the large quantities mentioned to the influence of our agricultural programmes. We have learned a lot about fertilizers, including the development of field testing of soils that show us rather accurately what fertilizers are needed on particular soils. All I would emphasize, then, is that I would put much of the credit for increased use of fertilizer and increased crop production in the credit column of agricultural research in this country rather than to the credit of farm programmes.

J. ARTEAGA Y ORTEGA, *Ministry of Commerce, Cuba*

One of the main features of this Conference has been the emphasis laid on the main maladjustments of agricultural production in relation to world needs, and the realization that present circumstances are not altogether favourable for its expansion to meet those needs. We have discussed the problems of shortages and the most favourable means by which agricultural production may be improved both economically and technically. We have looked at it as an isolated activity to which certainly we must apply all our knowledge so as to make it more efficient and of the greatest use and profit to the producer. But we have not entered at all deeply into the problem of the benefit which would accrue to the world if there were increased production of certain agricultural commodities as basic food for a considerable majority of the world's population. In general, also, however much attention has been given to the form of agricultural production, much less stress has been laid on facilities for its distribution internationally. No clear solution has been put forward of the problem of surpluses of foods that are vital to human nutrition. Nor have we analysed the restrictions on international trade which prevent these surpluses from reaching the consumer and contributing to his better subsistence.

We have studied technical assistance to under-developed countries. But if it means no more than assistance to human masses living in countries with low *per capita* incomes and inferior standards of living—if it represents merely an attempt to raise educational, sanitary, and social standards and improve rudimentary methods of agriculture—then, in order to prevent confusion (seeing that such a service resembles that of the International Red Cross) we might designate it the service or assistance of the 'International Green Cross'. No! This kind of technical assistance cannot be regarded as a fundamental basis for furthering the progress of under-developed countries. That would ignore world realities and assume that a reform of certain specified micro-economies would solve the grave economic problems of continental macro-economies.

May I, then, clarify the progress of this discussion on a basis of two fundamentals: first, that the members of this Conference represent the most detached points of view of their respective countries; and second, that the principal aim of the Conference is the analysis of the economic aspects of agriculture and food production, initiated by the dynamic and democratic declaration that those present could express their ideas without fear?

When we discuss the application of technical assistance to under-developed countries in order to bring about more efficient and higher production, we must consider too the form in which the increased production may reach its markets. Does it do so in conditions most favourable to the consumer and the producer? On this problem we have only discussed the consequences of the increase in world population, aware that in certain regions it grows at a quickening rate while the necessary increases in food production are not made at the same rate. To meet this grave problem we make plans of a biological nature, not altogether founded on economic reasoning. As a result, a doubt arises: why have we planned to give technical assistance to under-developed countries, that is to say to countries containing natural resources which are not efficiently exploited for the collective well-being of humanity—why have we planned this assistance while at the same time proposing control of the birth-rate because natural resources are inadequate to produce food for the world population?

These two ideas are to a certain extent mutually contradictory, representing a hesitation between two alternative possibilities: do means for the growth and development of humanity exist, or do they not? The inference is that we are considering a type of agricultural economy in the light of an abstract, metaphysical concept, within the limits of time and space, bearing no relation to real, active, human necessities. To suggest that humanity must halt its biological march of procreation is not only contrary to the laws of nature, but likens man to certain lower creatures in the animal kingdom among which parents destroy their own offspring. Surely there are methods that are more human and better adapted economically for solving the problems with which humanity is confronted.

It is for this reason that we must regard the suggested methods as a denial of the tremendous natural resources of the world, not least in America, where there remain rich and extensive regions waiting for man to bring them into production. If a man, in the biological and natural course of things, is born in a region of the earth in which life is not propitious to his normal development, he will, in a reaction toward survival, remove himself to a more favourable spot, as he has shown throughout history on innumerable occasions—an action of which we have an authentic example in this very country with its European immigrations. To deny these facts is to deny history itself. The possible saturation of the earth in the distant future will constitute a fact of relative importance, provided we maintain the thesis that each phase of human development is marked by changes of environment and habitat which will allow the life of the species to be

carried on. But that is a problem which we may well pass on to our economist colleagues of A.D. 2000.

Of greater importance are the attempts to solve the present problem—the scarcity of food in some parts of the world while in others the production of those same foods is restricted (or they are warehoused) because of the difficulties of international trade. We must avoid controls and restrictions of basic foods, and provide security of consumption of those which are essential to human life, making them accessible to all levels of family income. This is a difficult task, but it is one which can be undertaken, and it is the solution which at the present moment of history offers hope of the best and most effective results.

The opening stages of the work of the Steel and Coal Commission under the Schuman Plan, by which six nations of a pessimistic Europe have resolved to create an open market, free of petty tariffs and restrictions, for the production and easy handling of 220 million tons of coal and 38 million tons of steel, cutting out the rigid cartels which have given low production at high prices, in an attempt to free the peoples of Europe from rationing and substitutes—this Plan offers the widest field to a new politico-economic world reality, and gives us hope for the analogous problem of the principal world food products.

It is a matter of common knowledge (and it has been mentioned at this Conference) that wheat and sugar are the agricultural products in which there is the liveliest international trade. I should like to add another—rice. We cannot enter here and now on an analysis of the trade in these three basic human foods; I will say only that an analysis of the world problem of sugar production clearly shows that it is impossible to stimulate production when the international market is governed by entirely artificial regulations. It is lamentable to see the peoples of Europe in need of sugar, the food-product which gives the greatest energy at the lowest cost, and to know that there are housewives there who cannot even make jam owing to control restrictions on sugar. The American consumer too has to pay an unnecessarily high price for his sugar. While this situation continues, sugar is accumulating in the warehouses of Central America and production is restricted, injuring the specialist agricultural producer and condemning humanity to hunger.

The fact is that acreages cannot be increased owing to the danger of an artificial surplus, of which only agricultural producers suffer the consequences. It is a well-known fact that there is an annual increase of 10 million in the number of consumers of rice; yet the

producing areas cannot be expanded at a like rate since international restrictions prevent an easy and rapid approach to higher production.

J. F. DUNCAN, *Aberdeen, Scotland.*

Lloyd has demonstrated most effectively that there is no logic in the national policies for the promotion or regulation of agricultural produce in Europe. I am more puzzled by Dr. Nourse's ambivalent logic of agricultural control in the United States. It is a most interesting statement of the gradual movement of opinion in the United States, with a nostalgic backward look at the times when there was free enterprise and the American way of life was in full swing. I do not see any logic in it any more than in Europe. What I am interested in is why the American people should have followed Europe in deserting the free market and in setting up controls and establishing price supports for the farmers. The only reason I can give is that they found it necessary to do so. If that is so why should we express any emotion because we have deserted the theories and the practice we followed in agriculture? The theory was that we could best serve our interest as a community by leaving people free to do what they pleased with physical resources. The theory was developed during the period of emerging manufacturers, in opposition to the agricultural interests, and it was never accepted generally throughout the community. The first sections to revolt were the people who were left most free, the wage-earners, who were free to take their opportunity when somebody gave them it, and to stand idle until another opportunity came. The next people who became dissatisfied with *laissez-faire* and free enterprise were the manufacturers in whose interests the system had been introduced. They did not appeal to the Government any more than the wage-earners. The wage-earners set about making their own organization to prevent *laissez-faire* from working. The manufacturers followed suit by setting up their organizations to prevent free enterprise from working—to restrict competition, to control the market, and maintain prices. The agriculturists came along later. What I want to put to people who are nostalgic about the free market is whether they would rather have organizations of farmers sufficiently strong to maintain prices and enforce their control on the rest of the community. What is the alternative? Either that the farmers go on getting the worst of the bargain, as they did from 1860 to 1930, or that they establish combinations of farmers controlling production and marketing, or that the Government steps in. We have decided that the first was not good enough. We do not like combinations, but we are still influenced

by the *laissez-faire* doctrine that the best Government was the one that governed least. I would rather have the Government than the trade unions, the trade associations, or the farmers' organizations.

As Dr. Nourse puts it in his last paragraph, 'We shall not soon reverse the steps we have taken in this direction.' The practical problem for agricultural economists, therefore, is to make these steps as desirable and effective as possible. There are two lines of action they can take. They can say that it is wrong to give these functions to the Government. They would then be doing their duty as citizens trying to guide their fellows. That is an educative function, and economists may be able to guide the community to restrict certain functions of the Government and to get others to serve in a voluntary fashion. The other line is for the economists, since the community has taken these powers, to do what they can to see that they are used efficiently. I suggest that we ought to make some further studies of what has been taking place in recent years in the maintenance of farm income. We have many different methods of control, but we have each and all been trying to maintain farm income at the levels we can justify under modern conditions. As Lloyd puts it, for political and social reasons Governments are committed to maintaining and promoting security of livelihood and tolerable standards of living for their producers and to protecting them from the effects of unrestricted competition. I think that is a perfectly legitimate and desirable function of the Government. If carried too far protection tends to shelter inefficiency, but in moderation price support and assurance of outlets may stimulate technical and economic progress. That is just the point economists should be giving further study to. If the security we are giving, and the standard of living we are providing for farmers are inducing them to slack and to become inefficient, it is for the economists to devise the methods by which these faults may be corrected and to advise that they be adopted. They will only be able to do so if they get rid of the inhibition that government action must be worse than the trade association, or any other combination of interests.

E. M. H. LLOYD (*in reply*)

I feel that I have been let off comparatively lightly. Mr. Huni of Switzerland has been, I believe, the only one of my European friends who has caught me out in an error. I am sure there may be others and I wish my information could be brought more up to date.

The discussion has naturally revolved around the question of more or less *laissez-faire*; and the views expressed have been mixed, as I

am afraid many of our thoughts are bound to be. Mr. Gale Johnson pointed to the inconsistency of admitting the desirability of a unified market and defending the European point of view about national sovereignty. As to the latter, my statement was one of fact rather than a defence. My case was that the more unified and larger the market, the better; but national sovereignty is a political obstacle to achieving that economically desirable end.

I am glad we have had a friendly and illuminating discussion about restrictions on cheese imports to the United States. As chairman of one of the Committees of the Organization for European Economic Co-operation (the United Kingdom does not export much cheese, only a little Stilton), I am glad to know that the situation is not so bad as we thought, and I apologize if we tend to magnify it out of proportion to the benefits which we have received from Marshall Aid and the enlightened self-interest of American trade policy as a whole. We recognize there are bound to be certain inconsistencies, even in the policies of Washington.

I hope Mr. Cramois will not treat as official my suggestion of a C.C.C. for Europe. I was not making any specific proposal. I only expressed a tentative forecast, qualified even more than Mr. Bean's prophecies are, that such a development was not inconceivable provided—and it was a very important proviso—that the European Payments Union was developed into something much more like a monetary and fiscal union.

I note Mr. Bean's suggestion that I should reverse the order of my analysis of the logical foundations of United States policy. I would only say that I was speaking, as he admitted, from the European standpoint; the U.S. economy looks different according to whether you look at it from outside or inside, particularly in regard to this question of a free market. It looks free from inside but it does not look free from outside.

I think the discussion, and others like it, have been valuable and I hope fruitful. It enables us as economists and as government officials to understand our different points of view and sometimes to get a little inside information which is so valuable for getting things into perspective. I personally hope to see in the future closer co-ordination between the development of policies in Europe and policies in North America. I do not know if most Americans recognize that they have now agreed to be full participants in the work of O.E.E.C. and that gives us the right occasionally to criticize their policies or to suggest modifications, just as they, I hope, will never hesitate to criticize our policies and suggest modifications in Europe.

E. G. NOURSE (*in reply*)

With eighteen speakers, this afternoon session has opened up a much larger territory than could possibly be covered in my summary. Of course, many of the questions related to what Mr. Lloyd has been talking about and, very properly in this closing session, they range back over a good many of the earlier presentations. Even so, within the area in which I exposed myself, you have 'raised a great many more rabbits than I could possibly chase'. There are only about three points, I think, which I shall undertake to deal with at all.

In the first place, it is eminently right that the panel for the defence should have had an opportunity—and it has embraced that opportunity—to be heard this afternoon. We have heard from three persons who have been prominent or still are prominent in the control schemes which I was discussing—not with full approbation, as you know. As I listened to their comments, I was reminded of the remark of the counterfeiter when someone was a little dubious about the quality of his wares. He protested: 'Why, that's good money; I made it myself.' These gentlemen have contributed much to this area of experimentation through which we have been going under rather extraordinary circumstances in recent years. I agree with them that much more than has been said here today needs to be said on this problem. We will need to analyse much more at length and much more in detail what the full consequences, whether for good or ill—some for one and some for the other—have been.

However, I was a little astonished that persons of such technical competence and caution should make such sweeping claims—should identify all the satisfactory things that have happened—superficially satisfactory at least—in a period of inflationary prosperity, with the programmes which we have been following. It seems to me to verge on the *post hoc propter hoc* argument which is not generally given very high scientific standing. If you will pardon me (and this is perhaps more for the domestic audience than for our visitors), it recalled to my mind the reasoning of a Connecticut farmer as reported by Senator Benton. When he was asked about the coming Presidential election and how he was going to vote, he said he was going to vote for Tom Dewey.

The questioner said: 'That's funny, Tom Dewey isn't even running.'

'Well, I'm going to vote for Tom Dewey, and I've got some pretty good reasons.'

'Well, what are they?'

'Why, I voted for Tom Dewey in 1944, and I voted for Tom in 1948, and I ain't never had it so good.'

Now, I don't think that in my remarks, either explicitly or by implication, there was anything that indicated that the farmer had been ruined or brought to a condition of depression by the plans which we have been following, experimentally, as I outlined this morning, from the time of the deep depression of the 20's. Then we felt sure that some more heroic and imaginative means needed to be taken for dealing with the farmer's problems. Personally I still believe it. But, in this connexion, I want to bear down a little on something that Professor Case said. That is, that much of this farm prosperity is due to the peculiar conditions of the war period, the monetization of the debt, the general inflationary post-war conditions, and, more recently, the new and artificial stimulus of the Korean development.

I do not believe that even Mr. Bean's charts and statistical qualifications—which are supposed to reduce the mere analyst to tears of frustration—would be quite satisfactory in making the case for the beneficent operation of these farm support plans that are given such high credit for the admittedly prosperous conditions of the majority of our farmers at this time. Take, just for instance, Bean's index of the rising use of fertilizer. It seems to me that this is to be related to a number of other important factors, including even the decline of virgin fertility in this country. As I said before, the analysis of effects, good and ill, needs to be carried out with a great deal more precision, rather than that we should have the sweeping praise of the programmes or the qualified dispraise of them which I indulged in this morning.

Second, I was a little surprised at the interpretation given to my comment about the farmer being, in the last analysis, the only qualified person to pass judgement on what adjustment of his farm operations should be made. It seems to me that my position was quite badly misunderstood or mis-stated even by my good friend, Dr. Stine. I said that this was true if the independent farm manager is well informed and has access to good factual and analytical tools, and that that has been and should be the major objective of our farm policy. Stine took my remark to imply that the Extension specialist who comes around and gives the farmer concrete and specific advice is wrong and that the farmer, in some untutored sense, would be right.

Now, nothing could be farther from the truth. The specialist will give the farmer a bit of concrete information or counsel, technological

or economic, which the farmer then as manager, as director of a firm, has to interpret, not just at that moment while the agent is standing there, but over a period of time after the specialist has gone. To say that the specialist or adviser is bound to be wrong—though I did not imply this—would be no worse than to say that he is bound to be right. He does not know the whole situation. He advises as to one particular segment of the farm manager's total problem at a particular time, and this is an infinite help to the farmer. I think none could give a more enthusiastic endorsement than I gave of these services which come clear from the top in terms of the national Outlook Report.

But I do not feel any sense of guilt in terms of my analysis that the farmer or the farm manager, in any particular personal situation, is the best judge of the adaptations to be made, especially in a fast-changing situation. He is a better judge of his immediate situation than those who have to make national or world-wide judgement, and judgements which are pre-dated by weeks or months before the moment of the individual farmer's decisions or actions.

Third, I want to add just a word about what Mr. Thompson said. It seemed to me a defensive argument that these things were good because they were not very bad, or because they had not been used very much. That struck me as begging the whole question. The issue is whether they are qualitatively desirable things to bring into our institutions—to what extent, with what limitations, and in combination with whatever other means of organizing and directing our activities we may have.

I cannot go along with the position stated by Mr. Duncan and shared by a good many people in this country that these things have come and we must accept them and go along and develop them according to their pattern. I am much more in accord with what Professor Black said in his rephrased statement of my last sentence—which I think is perhaps an improvement in phrasing—that we should try to perfect the farm stabilization system in all the modifications that we make from here on. We will challenge these things that have been done, trying to prove and hold fast to that which is good and to discard those things which, on real analysis dealing with conditions not merely of war and inflation and the rearmament, will not be good in the long run.

Now I revert to what Mr. Thompson said, that there was a time, about a month ago, when we were glad we had as much corn accumulated as we had and perhaps even wished we had a little more. But then the new crop report came out and it showed a

prospect of the third largest crop we have ever had, and now there is the possibility that we may even have the largest corn crop in history. I wonder therefore if they are still complacent about the accumulation of a surplus of that size. We have handled that manipulation of supplies, that withholding of supplies from the market over a period of years in which, as he himself said, there have been several times when we were scared as to what the consequences would be—as to whether the accumulated stock was going to fall on us and in the end give us dire results which would then wipe out the transitory benefits. We are not yet through with our storage experience.

Finally, I want to endorse very heartily what our friend Dr. Lowe from Israel said to the effect that we should distinguish between the two somewhat conflicting ideologies we have at the present time. We should realize that our big problem is not to devise institutions and practices which prepare us for war. The long-run problem which we do not want to neglect, even in times of wars and rumours of wars, is to have a continuing peace-time system which will enable us to utilize our resources with intelligence to the greatest benefit of all our people. War and controls go naturally together, but freedom is a more compatible accompaniment of peace.