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INTERNATIONAL PLANNING FOR AGRICULTURAL PRODUCTION

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THE starting-point in the international planning of agricultural production is a settled policy in each nation with respect to foreign trade. If the nationalistic policies are carried to the extreme of complete self-sufficiency, there will be no occasion for international planning for agriculture, but if international trade in agricultural products is to be put upon a rational basis much careful thought must be given to its development. As students we may feel that international trade might have needed no government planning at this time if private interests had been left with adequate freedom, especially from the tariffs, to carry out their programmes based on private profit. However we may feel on this point, we are not in a position to quarrel with those responsible for this new trend but must try to understand it and contribute all we can towards an outcome beneficial to the human race. With honesty of purpose, intelligence, and efficiency on the part of the government agencies and with a well-defined objective, national in scope rather than groupistic in outlook and interest, it is possible that in the course of years the economic outcome may be essentially the same so far as the international aspects of the problem are concerned, whether we have government planning or private planning under government control. Furthermore, whatever might have been the more direct and efficient way to get on to normality had we started a dozen years ago, there are good reasons for believing that international planning by governments is essential at this juncture as a means of establishing more rational economic relations between the nations. The critical situation has been so largely produced by government action that it seems necessary for the present, at least, that the governments find and apply the remedy.

The starting-point in governmental planning is a clear understanding of the economics involved. A point of view which requires cultivation in many lands is that nationalism intelligently promoted does not imply national economic self-sufficiency or, as it is commonly called in Europe to-day, autarchy. The most extreme nationalistic spirit politically and socially is not inconsistent with the

development and maintenance of a large amount of international trade. In fact it is only through supplementing the national economy with a requisite amount of international economy that the economic well-being of a people can be brought to its highest level. The amount of international trade essential to the maximum well-being of a nation is determined by the facts of economic geography. The ratio between national and international economy may be as 80 is to 20 or even as 90 is to 10, and yet this 20 or this 10 per cent. may make a vast difference in the standard of living of the people. Without it the quantity or variety of goods will be more restricted and the mental and moral outlook will be more limited. Not only will the plane of living be lower but the financial strength of the nation will be impaired, and the elimination of that amount of international trade which builds the best national economy weakens the bonds of international goodwill.

The future plans for international trade cannot be based upon historical models. Much of the international trade of the past century was built upon the differences in the degree of industrial development of the various countries. The colonial countries with limited supplies of labour and capital once found it desirable to give first attention to the exploitation of their natural resources, and to depend upon the older countries for manufactured goods. With the growth of population and the accumulation of capital more and more attention has been given to the manufacturing of raw materials into finished products in these newer countries. The development of manufactures out of all proportion to agricultural and other natural resources, in order to ply a foreign trade, has its importance in history but not in the plans for the future. The danger now is that the movement may go too far in the direction of autarchy.

The international trade of the future should be based upon rational economic policies, wisely tempered by the spirit of nationalism. The danger is that the international trade of the future may be based upon uneconomic emotionalism and that it will be a mere fragment of what a common-sense national economy calls for. This may be too pessimistic a view. There are some grounds for thinking it is. Much of the recent uneconomic action has been forced upon many of the countries by the irrational action of others. We are living in a time when nearly every country in the world is maintaining policies with respect to foreign trade which it knows would be contrary to its best interest in a rational world but which become necessary in the present irrational world. It is very significant of the times in which we live when a Cabinet member in a great nation remarks

that in a sane world he would not be doing for agriculture the things he feels forced to do. The nations and occupational groups in nations now forced to irrational action will doubtless be very glad to drop many of their policies leading towards an excess of economic self-sufficiency so soon as those in power in the key nations of the world are ready to adopt rational economic policies with respect to the international exchange of goods.

False ideas on economic questions have long existed in certain key countries. Those ideas have stood in the way of clear thinking and rational action. Among these false ideas is the view, widely held in the United States, that the standard of living of a people is enhanced by a high protective tariff, and that without it living standards would fall to the level of the countries from which they import goods. The fact is that standards of living are depressed by the protective system. The true and real basis of the high standard of living in America is the favourable ratio between resources and population. This ratio enables Americans to secure a large product per man compared with other countries that have dense populations and relatively small resources. The tariff curtails the extent to which a country can benefit by its superior resources. The tariff leads a people to devote more of its labour to lines of production in which it has less natural advantage and in which returns per man are low, and it curtails the extent to which labour can be devoted to lines of production in which exist the greatest natural advantages and in which labour is more productive.

The producers of the major staples of agriculture in the United States have suffered for generations as a result of a bad tariff policy, but it is particularly since the United States ceased to be a debtor nation and became a creditor nation that her farmers have suffered most from this cause. When the United States became a creditor nation it was essential to the welfare of the nation as well as to the right relations with other nations that the tariffs be revised downward. Instead, as is well known, they were revised upwards and much impetus has thus been given to the development of nationalistic policies in many other countries which formerly looked to the United States for a part of their food supply. The time has come for clear thinking and definite action on the tariff question. Fortunately recent legislation provides the means of effective action on the part of the United States if the co-operation of other countries can be secured. Let us hope that this new tariff legislation marks the beginning of a new era in the annals of international trade.

The United States has been tardy in supplementing national plan-

ning with international planning. She now realizes that she must buy if she must sell and that international trade is a mutual affair in which all the nations involved have something to say. What has already been said in terms of tariff warfare is a long story of actions destructive to international trade and to national prosperity. Let us hope that this war is now to be succeeded by negotiations for peace, in which it is to be recognized that the international economy is a necessary supplement to a well-ordered national economy, that national planning cannot be carried to its logical and practical conclusion without international planning.

The question of nationalism versus internationalism is not involved. It is a question of a sound national economy with a rational supplement of foreign trade. It is obvious, therefore, that national and international planning must go hand in hand. It is true, however, that international planning has problems of its own because of the diversity of national interests involved. The technique of international planning is in its infancy. In the past, national legislation with an international bearing has been carried through, as a rule, without consulting the countries affected. International planning initiates the idea of international conferences and agreements as a basis of national conduct affecting foreign countries. Once the technique of international planning has been made effective, an important step ahead will have been taken by mankind.

THE TECHNIQUE OF INTERNATIONAL PLANNING

There has long been planning on an international scale by private corporations. These have as a rule dealt with one commodity or small group of allied articles and the profit motive has been foremost. Some of this international planning by private corporations has been entirely for the promotion of trade in articles produced in one country, but much of it has involved the manufacture of specific commodities in various parts of the world. The plan of producing sewing-machines, for example, at several different geographic points has been found desirable, partly because of advantages with respect to the cost of manufacture and distribution of the product, and partly because of trade barriers which make it desirable to produce the goods inside the tariff wall where they are to be sold. The May 23, 1933, number of *Planning* gives an interesting list of internationally organized commodities. Some are government-backed and others are purely private undertakings. Individual corporations which hold a dominant position in the production of given articles have played a dominant role in plans for world organization of industry and

trade. Tobacco, oil, steel, and harvesting machinery, as well as sewing-machines, may be mentioned as examples with a British or American origin. While there are many other international corporations dealing with many of the basic commodities of industry, the International Harvester Company provides an example of the way in which the international planning of a profit-seeking company may inadvertently lead to results inconsistent with the best interests of the agriculture of the countries involved.

An example of the conflict between private planning may be drawn from the wheat industry of the world. At the close of the World War, when the United States Department of Agriculture was counselling acreage reduction in the lines where there had been expansion for war purposes, the International Harvester Company was counselling the use of new types of machinery which, through lowering labour costs, would enable farmers to expand their production into areas hitherto uncultivated and thus hold an increasing proportion of the world market for wheat. This point of view was advocated by the Harvester Company for Canada and all other wheat areas of the world as well as for the United States. This advice was followed up by well-organized sales agencies which operated throughout the cereal-growing world. This policy of the Harvester Company yielded profits for the company. It also played a dominant role in expanding the wheat production of the world beyond the needs of the world, or at least beyond the effective demand for wheat. While the profits of this world campaign were rolling in, one of the leading members of the Corporation was seeking for an opportunity to give a million dollars for the benefit of farmers. He desired to help the farmers, but his company's profit policy had blinded him to the true interest of the farmers. Later, when called upon to help solve the farm problem, as Chairman of the Federal Farm Board, this same man proposed a policy of crop acreage reduction diametrically opposed to the policy which he had so effectively promoted for his corporation. This incident is brought forward to show that international planning left to private initiative is inadequate. There is real need at this time for international planning by the governments of the various nations of the world. It may well be hoped that government planning will not displace private planning but supplement it and give such control as will bring results more in harmony with social well-being.

The technique of international negotiations is becoming an important part of international planning by governments. Whoever does the international planning, the right starting-point is a full

knowledge of the facts of the economic actualities and potentialities throughout the world. When the planning is done by private interests the work is done by boards of directors, who keep in mind the whole economic world and who make the best terms they can for themselves, and usually relates to one article. A question which has yet to be answered with respect to the technique of governmental planning is whether it is to be comprehensive or piecemeal. International agreements with respect to sugar and wheat are examples of multilateral planning. In these cases the effort is to make the plan geographically comprehensive although only one commodity is included in each agreement.

The sugar agreement is an example of reasonably successful world-wide co-operation of an industry. The fact that there is no market for beets and cane, excepting to the sugar factories, has been an important factor in making it relatively easy to organize sugar. Wheat is far more difficult to organize, and the success has not been so satisfactory even though it has had the co-operation of the principal wheat-growing countries of the world. One should not pass judgement upon the venture in government planning for wheat at this stage in its development, but perhaps a few comments may be justified. Readjustment in prices through production and export control is being undertaken for wheat with little reference to other phases of the international economic problems involved. A more comprehensive undertaking would endeavour to ascertain all the causes of this maladjustment before proceeding to make the readjustments solely in one line of production. There is an aspiration on the part of the Wheat Committee to bring about a reduction of wheat seedings in the European countries which have long been looked upon as the deficit wheat areas of the world, but which have in recent years expanded their production. Will not more comprehensive international planning be essential to the accomplishment of this end? All in all, when we take the Wheat Committee as an example of multilateral planning for one commodity, we are more impressed with its difficulties than with its possibilities. It has too little of the give and take essential to successful negotiation. This may in part at least be due to the character of the objectives which have been held in mind, but the difficulty arises in part out of the limitation involved in one-crop planning. The idea of working out a plan for the wheat production of the world along lines of maximum economy when viewed both from the standpoint of the producer and the consumers, and taking into account other commodities which may be substituted for wheat, has been hinted at in the Committee

but has not had a cordial reception. The Committee has been working on the immediate problem of reducing the world surpluses which depress prices. In this undertaking the Committee has made little headway, but, now that the turn of the season is lending a hand, this problem may disappear and the Wheat Committee may be in a position to render a service in planning a world-wide wheat economy co-ordinated with other lines of production and exchange mutually beneficial to all the nations of the world. It would appear, however, that, to be effective, geographically comprehensive planning will need to become comprehensive with respect to commodities.

Comprehensive planning involving all products in all nations is not in the foreground at this time. It would seem that greater progress, for a time at least, may be made through piecemeal planning, where a limited number of countries deal with the products of vital interest to themselves. Bilateral conferences looking towards agreements affecting the two countries participating in the negotiations give promise of success. In these the geographic scope is narrower, but as a rule they are rather comprehensive with respect to commodities. The issues are more specific; both sides of the equation of exchange are considered. The give and take of the agreements can be easily visualized in terms of specific commodities. The countries most willing to plan their economic relations may do so without waiting for other countries which are not ready to act.

The view may be held that bilateral treaties fixing quotas lace the trade of the world into a strait jacket which enhances the difficulties now met on every hand in the form of tariff barriers and quarantines. On this point there will be ground for optimism if the use of quotas may be considered as a temporary means to a permanent end which ensures greater freedom of trade. The trade barriers of the world have paralysed world commerce. There is little hope that these barriers will be removed in any one country without some form of compensation of a specific nature. The hope is that through bilateral treaties providing for quotas with reduced import duties, without bringing into play the now obsolete most-favoured-nation clause, the tariff barriers may gradually be reduced to reasonable levels. Comprehensive agreements on tariff revision involving all the countries of the world and all commodities, are not probable in the immediate future. Specific agreements are possible and are now in progress. If the specific bilateral agreements are based upon full knowledge of the economic geography of the world, both actual and potential, the outcome of an adequate number of bilateral or trilateral agreements may yield the same results as might be attained under ideal conditions

by one comprehensive international agreement. Furthermore, once the trade barriers have been negotiated out of existence, the commerce of the world may again take a normal course with some of the old-time freedom and scope for private initiative, with this difference, let us hope, that national welfare and the peace and well-being of the people of the world will find a larger place than in the past in the motivations of international trade, along with a legitimate opportunity for the profit motive. This will mean greater government control than characterized the commerce of the past century. At any rate, the hope is that through numerous bilateral trade agreements the nations may ultimately find their way to the maintenance of that amount of international trade for each nation which will supplement the national economy and give the people of each nation its maximum well-being.

Whether or not the national objectives in international trade might have been attained through a greater freedom for individual and corporation planning in the period since the World War, the one thing to be hoped for in the immediate future is rational planning made effective through international agreements. Government action will be necessary at least until the irrational trade barriers have been removed and the home industries have recovered from the abnormal conditions which have been created by tariff walls. The need is for clearly visualized plans carried out through a series of years which will give time for adjustments in the home industries. The industries of greater efficiency will require expansion, those which produce at excessive costs will have to be reduced or even dismantled. The industries and the consumers which are to benefit by the change may well afford to help pay a part of the cost of dismantling those industries which have been unwisely encouraged to come into existence. Whoever may have been responsible for the present plight of domestic industries and international trade, all concerned will need to take a friendly hand in removing the complex network of entanglements which depress industries and retard international trade to the detriment of the people of every nation.

It is easy to arrive at these general conclusions, but the accomplishment of the result desired will take much time and the action must be based upon a full knowledge of the facts of the economic life of the world.

THE FACT BASIS OF INTERNATIONAL PLANNING

The negotiations intended to attain this desired end will need to be based upon a better knowledge than is now available of the facts

of the actual and potential economic geography of each nation and of the world as a whole. The preparation of the fact basis of national and international planning for agriculture is the task of first importance at this time for the agricultural economists of the world. But in this work it should not be overlooked that common-sense planning for agriculture is not a thing apart from rational planning for the whole economy of nations and their international relations. Agriculture must be seen in its entire setting and in all its relations, economic, social and political, national and international. While the work of those who negotiate international agreements may proceed on a piecemeal basis, this procedure needs to be in the light of a comprehensive knowledge of the whole world setting. This means that the work of the economists must be comprehensive enough to enable the leaders of each country to see how to supplement the national economy with an amount of production for the foreign market which may be exchanged for that kind and quantity of foreign goods and services which will add to the total annual income available for the maintenance of the living standards of the people and for the maintenance of the public economy of the nation.

The providing of a clear and comprehensive fact basis of international planning for agriculture is a challenging task for the agricultural economists. This involves a clear presentation of the facts relating to each of the agricultural commodities in every part of the world. In turn each crop must be shown in its relation to other crops. The facts must be put into a setting which will make their significance clear to the leaders in international negotiations who want to know whether they should produce a given article for themselves or secure it through the exchange of some other product which can be produced at home. Theories will not serve this purpose. Concrete facts are required. If the economist is to have a place in the sun he must provide these facts. This is a task involving many difficult questions of procedure; but clear thinking and careful analysis of the facts which can be obtained will yield invaluable results. The international trade agreements which have been negotiated during the past year have made unusual demands upon the economists associated with the embassies involved. It is to the economists that the diplomats are now turning for facts on this basic question of what we should buy in order that we may sell.

In the study of the question of 'comparative advantage', which goes to the root of this whole question, there are many things to consider. The influence of soil and climate is, of course, basic. Out of this and the market demand arises the particular combination of

enterprises which make up the commercial economy of a given farm. The interrelations of these enterprises in the farm economy, both from the standpoint of soil utilization and from the standpoint of the economical utilization of labour and equipment, are often such as to make the finding of specific costs an ineffective method of ascertaining whether or not a given product should be produced at home or secured through exchange from abroad. Cost accounting will, however, prove invaluable in determining the relative profitability of competing enterprises, and hence in determining whether or not a given country should produce at home or purchase a given commodity from abroad.

The starting-point in rational international planning for agriculture is a thorough knowledge of the economic geography of the world. There is a large body of background facts of an unchanging or slowly changing character which need ever to be held in mind in appraising the fluctuating or rapidly changing elements in the world economic situation. While it is true that at a given moment the changing elements in the picture may have greater interest to the farmer or the tradesman because of the effect upon the immediate price situation in which he is interested, these more permanent background facts are of primary importance as a basis of building national policies.

Some of the facts of economic geography, which are basic to a knowledge of comparative advantage essential to the international planning of agriculture, have been outlined as follows:

1. Climate, temperature, rainfall, wind, snow, hail, prevailing plant diseases, and insect pests.
2. Soil, topography, and land utilization.
3. Population, density, character and standard of work, and standard of living of the agricultural people in their relation to types of production which occupy the land.
4. Tenures, credits, and agricultural organizations, &c., as they affect the place of a given nation in the world economy.
5. The equipments, techniques, and special skills of those in various countries who produce for the international market.
6. Competing and supplementary agricultural enterprises and the relative profitability of alternatives, as shown by recorded experience.
7. Other occupations competing with agriculture in offering opportunities. The relative profitability of the opportunities alternate to agriculture.
8. The transportation facilities and the other agencies which help

in effecting the movement of products from surplus to deficit areas. The costs of these services.

9. The present production of each commodity in each country of the world should be displayed on maps as well as in statistical tables such as will facilitate the visualization of the world situation. Along with this should be shown the topography of world prices. This should be annotated with the facts with regard to artificial influences which may be operating in the various countries to stimulate or depress production. The effect of artificial control of the productive forces upon world trade and upon national wealth should be shown.
10. The facts regarding the consumption of each commodity in each country should likewise be ascertained and put in a form easily available to the statesmen dealing with the problems of international planning. Readjustments in trade relations may modify habits of consumption of a people, hence trends with respect to consumption of specific articles should be studied. Here is a field where much new statistical work is needed.
11. The negotiating of international planning for agriculture cannot be carried forward independently of planning for the industrial occupations as well. If some countries import more agricultural products of one kind than they export of another, the balance will have to be paid in services or in products of forests, mines, or manufacturing industries. It is obvious therefore that a knowledge of all phases of the economic geography of the whole world is essential to the international planning for agriculture.

The economic geography required as a basis of planning will need to be far more complete than anything which has ever been produced. All the factors involved will need to be so focused as to bring out in clear relief the economic facts of 'comparative advantages' which after all constitute the foundation of rational international planning of production and its concomitant of international trade. This task involves important improvements in the statistical work of all nations. The World Census of Agriculture should be promoted with this problem in the foreground in preparing the schedules. The principle and the practice of accounting must be applied to the problems of comparative advantage. There is need for greater uniformity of method and of purpose in the agricultural, statistical, and accountancy work in the various countries of the world.

Along with this more precise material, the more general data should be used which point in the direction of the truth regarding

'comparative advantage'. For the present the general information is about all there is available. Fortunately the facts which the individual farmer needs to know as a basis of good farm management and marketing, and which many farmers know from study and experience, are facts which provide an important part of the basis of calculating comparative advantage. But it is only when the facts well known by individual farmers in a vast number of individual areas are used along with the commercial facts and are woven into a comprehensive picture showing the comparative advantage of each area for a given product that they become available for the use of those who negotiate international agreements affecting agricultural production. Information of limited geographic scope is often misleading. Fortunately the studies essential to individual planning on the part of the farmer and the studies essential to rational international planning of agricultural production can go hand in hand, so far as the collection of primary data is concerned. Thus the new work can be done without abandoning the work of immediate use to the farmer. The thing of greatest importance is that the research men in agricultural economics in all countries use comparable methods, so that the materials from all lands may be used effectively in putting together the elements of the world picture.

If the economists are successful in presenting the facts in such form that the economic vision of the negotiators of international agreements may be clear, accurate, and comprehensive, they will have done their part in the international planning for agricultural production.

It is not the task of the economists to tell the nations what means to use in accomplishing the desired results. The political entanglements involved in international negotiations will need to be dealt with by those who know the art. The task of the economist is to prepare the fact basis which is essential to rational action on the part of the negotiators. When the men of action who are in control of national affairs are bent upon a given course, the greatest service the scientist can render is to throw a maximum of light upon the road that lies ahead whether the course be right or wrong. The economist will be of no avail unless the light from the lamp which he holds falls within the line of vision of the men of affairs.