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FOOD AND AGRICULTURE IN THE EUROPEAN RECOVERY PROGRAMME

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THE European Recovery Programme, now in its second year, presents a challenge and an opportunity to economists in all fields. Encouraging progress has been made but much remains to be done. The situation continues difficult and the problems are complex. In no field are the problems more intricate or more pressing than in agriculture, which is our major interest here to-day. European agricultural economic problems are so intimately bound up with economic conditions generally in the European Recovery Programme countries, however, that it is only within this broader framework that we can discuss agricultural problems intelligibly.

The basic challenge which the European Recovery Programme is designed to meet is well stated in the Economic Co-operation Act passed by the Congress of the United States in April 1948. It says:

'The restoration or maintenance in European countries of principles of individual liberty, free institutions and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance.'

Implicit in this statement is a picture of the kind of European economy that is the goal of the E.R.P. In a word, it is an expansionist economy—an economy of expanding production, increasing efficiency with resulting lowering of costs, expanding multilateral trade on a world basis, and high and rising standards of living. An essential feature in this objective is a Europe that is self-supporting internationally and not self-sufficient at a low standard of living.

All of this is in the sharpest possible contrast with the general situation in western Europe as it stood in 1947 when the E.R.P. was proposed—a situation marked by intolerably low levels of consumption, widespread inflation, reduced production, extensive physical destruction, stagnant international trade, and seriously unbalanced international accounts, especially with the dollar area.

I need not dwell on the factors that led up to this situation except to emphasize that many of the causes went far deeper than the grave

immediate destruction and disruption caused by total war. For many years before the War there had been a wearing away of the basic economic advantages which, over the preceding century, had made it possible for western Europe to support a rapidly increasing population at gradually rising standards of living. These advantages, in the main, were a combination of accumulated capital; technological superiority in many lines of production, predominance in the operations of finance, shipping, and other fields relating to international trade; relatively favourable terms of trade as between the food and raw materials that Europe imported and the industrial products which it exported; and, of great importance, a national and international climate of relative freedom of domestic and international economic activity which did in fact serve to bring forth in high degree the economic energies of the peoples of Europe. The War not only greatly accelerated the rate of loss of these advantages, but it also left western Europe with an even larger population than before, and with sharply reduced resources with which to support them.

The post-war imbalance in Europe's international accounts as reported by the Organization for European Economic Co-operation (O.E.E.C.) is an index of the extent to which this economic deterioration had progressed. In 1938 the total imports from all outside sources of the countries participating in the European Recovery Programme were valued—in terms of dollars at 1948 prices—at \$13 billion,¹ of which 5.8 billion were from the Western Hemisphere. In 1947, even at sharply reduced levels of living, total imports amounted to \$12½ billion, of which 9 billion came from the Western Hemisphere. On the earning side, total exports from the area dropped from about \$8 billion in 1938 to 5.4 billion in 1947. Of this, about 2½ billion in 1938 and 1.75 billion in 1947 were exports to the Western Hemisphere. Meanwhile, invisible items in the balance of payments, which had shown a credit balance of about \$2 billion annually at prices then current before the War, showed up as a net deficit of about three-quarters of a billion in 1947.

There is obviously a long and difficult road to be covered in moving from the low point of 1947 to the high goals I have described. There are many who say that the task is an impossible one, especially in the limited time period set for American assistance to the programme. Yet I would say that all of those closest to the programme—Europeans and Americans alike—are unanimous in their belief that most if not all of the job can be done in the time available, if everyone concerned plays his part with full energy, imagination, and vigour.

¹ Billion (U.S.) equals a thousand millions.

Some of the main elements of action are clear and work is in progress on them. A first necessity was the elimination of war-born deficiencies in consumption goods, raw materials, production plants, and equipment, and the correction of monetary and other general economic disorder. Much of this has been accomplished in the first year of the programme. Production indexes on the industrial side, at least, are now well above pre-war levels in most cases. Savings and investments are at high levels in most of the countries. Action is beginning to be taken to bring the benefits of spectacular recent developments in technology into widespread use in European industry and agriculture. On the international trade side the concept has gained ground in Europe that overseas suppliers of raw materials must be prosperous in order to be good customers for manufactured items. An aggressive attack is being made to liberalize trade and to construct a basis for the convertibility of currencies so as to remove the shackles of restriction on the flow of goods. Finally, direct measures are being sponsored to increase dollar earnings as a means of obtaining needed imports from the Western Hemisphere. The forward movement that these elements represent has to be pushed aggressively, however, if the overall objectives of the European Recovery Programme are to be attained.

The O.E.E.C. has played a major role in these developments. The mere fact that it is possible for all of the participating countries to lay their plans side by side and to compare and correlate them has been a facilitating factor in promoting European economic recovery. An important part of the O.E.E.C. is its Food and Agriculture Committee and sub-committees.

Behind the individual and co-operative efforts of the countries participating in the E.R.P. is the economic assistance offered by the United States under the terms of the Economic Co-operation Act. The principal forms of aid provided in this legislation are:

1. Direct grants and loans to cover immediate needs from the dollar area for consumption goods, industrial and agricultural raw materials, and capital items. Procurement of about \$5½ billion worth of goods and services was authorized under this heading in the first fifteen months of the programme.
2. Special United States contributions to support increased activity in intra-European trade. This form of dollar aid is given on condition that the recipient country extends grants in its own currency to its debtors among the other participating

countries. About \$675 million were made available for this purpose up to June 30, 1949.

3. Counterpart funds which match dollar grants and provide large amounts of local European currencies for use by the participating governments in economic stabilization, investment, and development activities.
4. Technical assistance funds which make it possible to act on a large scale to bring American technicians and technology to Europe or to send European technicians to study in the United States.

This, then, is the general picture. A new balance for the European economy must be found to replace the old. For even if the pre-war balance could be completely restored it would not be enough to meet the needs of the new situation. Moreover, the new balance must be found quickly. Perhaps the most valuable general contribution which American aid under the E.R.P. is making to western Europe is giving it time in which to re-establish its economic system in an orderly manner. In effect, the United States has undertaken for a limited period of time to help fill the economic gap left by the lost European resources. This period is scheduled to run out on June 30, 1952. The volume of United States assistance is expected to be reduced from year to year until then. Thus the time available to find a satisfactory new balance is short indeed.

In a sense it is misleading to talk about finding a 'new' balance. Whatever is done or not done, there will be a balance in the long run between European output and consumption. The real question is at which level this balance will be struck in terms of the standard of living to be achieved by the people of Europe.

So much for a fleeting sketch of the general background. Let us now take a more specific look at the food and agricultural aspects of the European Recovery Programme.

In dealing with the question of population and food needs, our point of departure is the population to be fed. Notwithstanding the tremendous loss of life during the War, the population in the countries participating in the European Recovery Programme is now 11 per cent. larger than the average for the five-year period 1934-8, and it is expected to be 14 per cent. larger by 1952-3. Thus the food supply in 1952-3 will have to be 14 per cent. larger than the pre-war average to provide for a pre-war level *per capita*. It is pertinent to add also that approximately one-third of the food consumed during the pre-war period was imported from outside sources. Moreover, pre-war levels

of food consumption are not a satisfactory standard in many countries, either from a nutritional point of view or from the standpoint of what people consider to be adequate. For our purpose here, however, the pre-war consumption level is a convenient bench-mark for the examination of some of the main elements in the problems of agricultural production and of needed food supplies.

The central problem is to provide a minimum of 14 per cent. more food than was available before the War. This imposes the necessity of taking advantage of every possible opportunity for increasing European agricultural production within appropriate cost limitations, as well as greatly expanding the export of commodities that will provide foreign exchange to pay for needed food imports. The optimum degree of self-sufficiency in food production will be dependent upon comparative costs of marginal domestic production and imports, in that high costs of food would weaken the competitive position of industries producing for export. Thus the question of allocation of resources between agriculture and other economic sectors is involved.

With this bench-mark on the food-requirements side, let us turn to the question of agricultural production possibilities and limitations. Last fall the E.R.P. countries submitted long-term production plans to the O.E.E.C. These plans dealt with agriculture as one segment of the national economies. 'Long-term' as used here refers to the period through 1952-3, the first year following the termination of Marshall Plan aid. These agricultural plans were prepared independently in the several countries in accordance with prescribed procedures and assumptions, with the general objective of showing how each nation considered that it could best become independent of extraordinary external financial aid by July 1, 1952. Naturally, these plans were only first approximations. They stand in need of considerable adjustment to make them consistent with one another in respect to intra-European trade and trade with other parts of the world. There are other equally important though less obvious inconsistencies in the production patterns, considered from the standpoints of economic use of production resources and of specialization by countries. Recognizing these limitations, it is informative to look at these plans or production goals taken together for the entire E.R.P. area as one indication of the possibilities of increased agricultural production during the next four years.

According to these plans the total area of land used for agricultural purposes, including permanent pasture but excluding rough grazing, would increase by 1952 to 4 per cent. above the pre-war level. The

area under tillage would increase to 11 per cent. above the pre-war average and the area in rotation pasture to 12 per cent., while the area in permanent pasture would decline by 10 per cent. Thus there would be some increase in intensity of land use. The actual expansion in agricultural area would be small, however, except in a few countries.

More meaningful are the contemplated changes in the areas in individual crops. The 1952 proposed areas in some major crops expressed as percentages of pre-war are: bread-grains 105, coarse grains 105, potatoes 110, sugar-beets 130, and oil-seeds 235. These increases are not general for all countries; actually, the totals are heavily influenced by changes in a few countries.

Turkey and the United Kingdom would account for most of the increase in the area of cereals, while the three other major producers—France, Italy, and western Germany—would not regain their pre-war average areas. Western Germany and the United Kingdom would account for most of the increased area in potatoes. The increase for sugar-beets is much more general throughout the region. Large increases in oil-seed areas are planned in Turkey, France, and the United Kingdom.

The plans under discussion bring out the highly significant point that increases in the production of basic crops are expected to result largely from increased yields rather than from expanded areas. The goals for yields by 1952 as compared with the pre-war average for the principal crops are as follows: bread-grains 109 per cent., coarse grains 109 per cent., and potatoes 117 per cent. Moreover, these regional averages fail to reflect the full improvement in yields contemplated, because of the relatively greater area increase in certain countries, notably Turkey, in which yields are well below the average for the region as a whole.

As a major part of the effort to bring about these increases in crop yields, the plans call for greatly increased use of fertilizers. The planned increases by 1952 over the pre-war average would be as follows: nitrogen 90 per cent., potash 77 per cent., and phosphates 82 per cent. Considerable increases have already taken place. During the 1948-9 season, the use of fertilizers is reported to have expanded to 42 per cent. above the pre-war average in the case of nitrogen, 34 per cent. for potash, and 42 per cent. for phosphates.

A rapid development in farm mechanization, already in progress, is expected to continue between now and 1952. By that time it is proposed that the number of tractors on farms should be approximately five times the pre-war average. If we may judge by American experience, mechanization will increase the productivity of labour

on farms adapted to the use of machinery and, perhaps more important, it will reduce requirements of feed for livestock and thus permit more resources to be devoted to the feeding of meat and milk animals as well as to the production of food for direct human consumption.

As to livestock, the proposed numbers of animals on farms in 1952-3 in relation to the pre-war averages are as follows: all cattle 109 per cent., milk cows 100 per cent., pigs 108 per cent., sheep 101 per cent., and poultry 115 per cent. The output of livestock products would follow livestock numbers fairly closely, although some increase in milk production per cow is contemplated. In general, the pre-war proportions of the major classes of livestock would be restored. The greatest increases from present levels would be in pigs and poultry, which were most adversely affected by war-time and post-war feed shortages.

In connexion with these proposed changes in livestock numbers it is interesting to note that net imports of coarse grains, according to the plans, would be about $1\frac{1}{2}$ million metric tons, or approximately 15 per cent. less than the pre-war average. Greater dependence would be placed on home-grown feed, including improved meadows and pastures.

In appraising these production plans there are two broad types of considerations that may be distinguished. The first relates to the rate of increased production to be achieved between now and 1952. Is this increased production feasible, and is it large enough to meet the needs of the E.R.P. countries? What measures will be necessary to bring it about, and are these measures being taken? The second set of considerations relates to the direction taken in the proposed increases. Is the commodity pattern indicated for each country individually and for all countries considered together the one that will contribute the most towards the attainment of the objectives of E.R.P.?

The realization of the production increases contemplated will require a very rapid advance in farm technology, including mechanization, increased use of fertilizers, better seed, improved and expanded pest controls, and a general improvement in farm organization and production practices. In general, no serious difficulty is envisaged in expanding the area in crops to the extent called for in the plans. The shifts as between crops may present somewhat greater problems.

The technological improvements on which greatest dependence is being placed for increasing yields and volume of production can only come about, however, as the result of a great effort by agricultural

leaders and by the millions of farmers who collectively account for the agricultural production of western Europe. But improvements in technology are the least controversial aspects of the production plans, and can be initiated immediately on the basis of available research material. Technological improvements in the economic sense are desirable under any conceivable economic conditions, since they are the means of lowering costs and of increasing output from existing resources.

In general, two conditions must exist if the production increases are to be realized. First, farmers must find it to their economic advantage to make the required investments. This is primarily a question of prices of products in relation to wages of farm labour and prices of equipment and supplies used in production. Secondly, there is need for an adequate organization to reach millions of farmers with the economic and technical information which they must apply in order to do what is expected of them.

The current situation with respect to price and income incentives varies considerably from country to country. In some countries prices are fixed by government decree, and attempts have been made to establish price relationships that will provide the incentives deemed necessary for the achievement of the production plans. At the other extreme are those countries with uncontrolled price economies in which dependence is placed entirely upon the conventional economic forces of supply and demand. In the latter countries production plans or goals can only be forecasts of what will actually happen in response to the economic conditions that prevail without deliberate government intervention.

In countries where prices are established by government decree, considerations other than the attainment of production goals have often played a part in the determination of what the official prices should be. In certain instances, for example, the price of bread has been kept low because of the importance of this commodity in the diet and consequently in the cost of living of the worker. The producer of bread-grains may or may not have been insulated by subsidies from the effects of this policy. The Production Plans and Programmes Sub-Committee of the Food and Agriculture Committee of O.E.E.C. is assembling information on price relationships among the different agricultural commodities in each country as well as between agricultural products and materials used in production. These data will permit an analysis of existing price incentives relative to the production goals. It has already been observed that the current relationships among the prices of different commodities

vary greatly from country to country and that the relationships between current and pre-war prices vary greatly between commodities in the same countries. It seems reasonably clear that some rather substantial adjustments in price relationships will be necessary for the accomplishment of the production plans.

Another question has to do with the general relationships between prices of agricultural products and prices of the elements entering into production. For nearly a year now prices of agricultural products have shown a tendency to decline. This has been mainly the result of the relatively good European harvest in 1948, and the ability, with American aid, to continue a high level of imports. On the other hand, materials of production such as farm machinery and fertilizers have not experienced corresponding price reductions. The net result is that agricultural production has become less profitable. In the years immediately ahead this may become a problem of some importance in the expansion of output. It may still be profitable to increase production, but a decline in gross farm income may make it more difficult for the farmer to find the capital necessary to make investments to expand his agricultural plant or improve his farm practices.

Turning now to the question of knowledge of improved practices and the means for disseminating this knowledge to farmers, it seems clear that much can and should be done. There are countries which have rather highly developed programmes of research and educational work, including demonstrations of improved farm practices. There are also countries where research work in agriculture is on a very limited scale and, even more serious, there is little provision for bringing the results of such research as is being done to the farmers whom the research is presumably intended to benefit. To an American who is familiar with the important role played by research and extension services in the increased productivity of American agriculture during the past ten years it seems clearly evident that there is room for a great deal of improvement in most E.R.P. countries in this direction. It is difficult to see how even with adequate economic incentives, the production plans can be achieved without a large expansion in advisory or extension services. Fortunately there are evidences that this need has been recognized by at least some of the governments of the participating countries. There can be no reasonable doubt as to the desirability of giving stronger support to this work in most countries.

Let us look now at the question of the direction that agricultural production should take. Here we enter a field in which the considera-

tions are more complicated and the answers more difficult. Economists would certainly agree as to the desirability of considerable specialization within Europe and between Europe and other parts of the world in accordance with the well-known principle of comparative advantage. Europe provides a tremendous market for agricultural products and has a great diversity of agricultural resources. Certainly, great economies are possible if the productive use of these resources were organized on the basis of a regional specialization comparable to that found in the United States. There are numerous obstacles, however, in the way of such specialization. Among the most evident of these obstacles are the imbalance in trade among the various countries of Europe, the inconvertibility of currencies, and the various restrictions imposed in order to balance trade, largely on a bilateral basis. Similar considerations relate to trade between Europe and other parts of the world, especially the dollar areas. There are other obstacles to regional specialization that have developed over a period of years and which have been designed to protect producers or to provide a high degree of national self-sufficiency with respect to some or all agricultural commodities. The proper approach seems to be one of going as far as possible in removing obstacles to trade and thereby gaining the economic advantages of specialization and lower production costs.

While there are many problems relating to intra-European trade in agricultural products, perhaps the most critical problem is that of the future trade between Europe and the dollar area. The level of imports from the Western Hemisphere will not only have important effects upon the level of food consumption, but will also profoundly affect the kind of agricultural production that is most economical for Europe.

Western Europe has long depended heavily upon the Western Hemisphere and eastern Europe for feed supplies in order to maintain a high level of livestock production. There is considerable uncertainty as to whether feed supplies from eastern Europe will again be available in the pre-war volume. With respect to the western European trade with the Western Hemisphere, there is serious question as to what level of feed imports will be possible with the level of dollar earnings achieved after American aid comes to an end. The E.R.P. countries may be able to expand feed production to some extent. This is contemplated in their present plans. Without imports approximating the pre-war level, however, output of livestock products cannot be expected to increase in proportion to the population, and it seems unlikely that this can be offset by increased purchases of livestock products from overseas.

This raises the question of the level of food consumption that the E.R.P. countries will be able to afford following the termination of American aid. It is not only a matter of calories, but also of the source of the calories, of nutrients other than calories, and of the general quality and palatability of the diet. The answer at present can be conditional only—that is, the level and quality of the food supply will be dependent upon the success of the E.R.P. countries in increasing the productivity of their agriculture and upon the progress in liberalizing and expanding trade in industrial as well as in agricultural products as a means of obtaining needed food and feed imports.

There are evidences in the existing production plans that difficulties foreseen in maintaining a high level of world trade are already directing production into channels which might turn out to be uneconomic under conditions of reasonably free trade. It is proposed, for example, to increase sugar production to 37 per cent. above the pre-war level by 1952. While the sugar-beet crop makes a valuable contribution to the livestock industry in the form of by-product feed, there are adequate supplies of sugar available for export from tropical areas in which production costs are low and production alternatives are limited. Similarly, a great effort is being made to expand the production of oil-seeds which, in northern Europe at least, have been found to be a somewhat uncertain crop which farmers are reluctant to grow except under the incentive of rather large subsidies. Those responsible for planning agricultural production must take the responsibility for higher costs of food and the need for continued subsidies or protection if they support measures to attain a higher degree of self-sufficiency in such crops. They may feel, however, that there is no alternative unless there is assurance that some of the present trade and payment difficulties will be removed.

Another serious problem of production planning arises in the case of countries that are traditionally dependent upon European markets for their agricultural export surpluses. Denmark, the Netherlands, and Ireland normally export livestock products to the United Kingdom and western Germany. To reach the level of livestock production and export contemplated in their plans, they must have feedstuffs from the dollar areas. The only means they have of obtaining sufficient dollars to pay for these feedstuffs is by converting the proceeds of their intra-European trade into dollars.

The O.E.E.C. reached the conclusion some months ago, however, that the participating countries should not plan on the assumption that they can continue to earn gold or dollars from one another.

If this is to be rigorously followed, these livestock-producing countries will have to re-orient their plans to the lower level of livestock production that can be sustained with domestic feed production plus feed imports from non-dollar sources. This may pose an intolerable handicap on the economies of the countries affected.

Similarly, a problem arises in the case of countries like Italy and Greece which traditionally export fruits and vegetables to the countries of northern Europe. The latter countries state that they cannot afford to buy all they would like to consume or as much as they formerly bought of these products, which they class as 'luxuries' or 'semi-luxuries', unless productivity and income levels can be improved beyond present expectations. The producing countries in question may be faced with the unpleasant necessity of adjusting to alternative types of self-sufficiency production in which their relative advantage may be less, thus depriving consumers of products which they would like to have and which would be nutritionally beneficial.

These are examples of the problems which must be met, not in 1952, but in the interim years which are available for putting European agriculture on a basis such that it can continue forward after 1952 without a major re-orientation. It is a challenge for agricultural economists not only in Europe but in other parts of the world as well. Some of the problems extend beyond the usual scope of activity of agricultural workers, but those responsible for planning general economic policies affecting production and trade must be made aware of the consequences in the food and agricultural field of the broad economic judgements that are made and the administrative decisions that are taken.

This, then, is the broad picture in general terms and with specific reference to agriculture. How do the present plans and activities in the agricultural field measure up against the grave challenge of the difficult overall economic situation in western Europe? A quick answer to this basic question at this stage of preliminary consideration must necessarily be partly in terms of paradoxes as regards consumption, production, and trade.

On consumption, as I have said, serious questions exist as to whether western Europe will be able to afford a diet comparable to that of the pre-war period. Yet there is a strong desire, only partially reflected in present plans, not only to restore but to improve on this pre-war consumption level.

Again, present agricultural production plans are very ambitious

indeed in relation to present programmes for economic incentives and technological development.

On the other hand, if strong incentives and the best of modern technology were widely applied in European agriculture, the potentiality for increased production would seem to be in excess of present goals.

In terms of trading possibilities the contemplated pattern of agricultural production as visualized in present plans is again optimistic. In other words, as analysed by the O.E.E.C., several of the countries in their present agricultural plans expect to sell more of certain high-grade products to other countries than those countries plan to buy or appear to be able to buy. At the same time, many countries appear to be counting on agricultural imports from eastern Europe in excess of probable availabilities there and on imports from Western Hemisphere sources in excess of their prospective ability to pay for such imports.

Conversely, however, as I have indicated, present plans clearly contemplate expansion of production of many commodities solely for self-sufficiency and dollar-saving purposes to levels that are unwarranted under any reasonable concept of comparative advantage. Fulfilment or expansion of these autarchial elements in the programmes could only lead to a withering of international trade and a lowering of standards of living.

While what I have been saying may give the impression that the problem is so complex and includes so many decisions to be made outside the agricultural field that the agricultural economist is left in a somewhat helpless position, I do not believe this to be the case at all. What is needed basically in agriculture is a great effort in the application of the latest scientific advances and of time-honoured and valid principles of production economics. It is a problem of using land, labour, and related resources in such a manner that greater efficiency is attained as a concomitant part of an expanded volume of production. This includes the proper choice of enterprises as well as a general increase in the intensity of resource utilization. Increased production at lower costs will provide more food for the European consumer and thus reduce the need for imports or permit a higher level of consumption; it will also lower the cost of living and, consequently, the cost of industrial production, thus aiding in the expansion of exports that will increase the foreign exchange available to cover the necessary imports. Thus we come back to a subject that is familiar to all of you—in fact, so familiar that I feel almost apologetic for calling it to your attention. I feel justified in doing

so, however, because in a situation like the present there is a danger of overlooking the obvious and familiar basic economic principles that have been the major concern of all of us for many years. I should like to leave the thought and the challenge with you that agricultural economists are already familiar with the tools which, if properly applied, can make a tremendous contribution to the restoration of a prosperous and self-sustaining economy in Europe. It is a challenge that I believe we should accept and which I think we have the resources and ability to meet.

The challenge is primarily one for the people of Europe, but the people of the United States are vitally interested in the success of the undertaking. This interest is evidenced in tangible form by the aid that is being provided to all European nations that have chosen to take part in the joint effort. In the first place, funds are provided to keep the necessary imports of food coming in while production and exports are being increased. Purchases of feed, machinery, and other types of agricultural equipment and supplies are being financed to assist in adjusting and expanding agricultural production. Technical assistance funds are bringing the scientific progress in America and elsewhere to the aid of the European farmer. Local currency counterpart funds are making it possible for governments to increase the capital investment in agriculture as well as to expand research and educational services for the farmer. The economic resources are not lacking. Success will depend on the vigour and intelligence of the leadership, as well as upon the efforts of millions of farmers.

E. F. NASH

I should like first of all to express my own thanks to Dr. Thibodeaux for his most comprehensive and illuminating survey of the problems of European Economic Co-operation in regard to Food and Agriculture. I should like to make one comment and to ask one question. I was particularly interested in the remarks which Dr. Thibodeaux had to make on the tendency which he discerned in the plans of the European countries to encourage a degree of self-sufficiency in certain products which he thought might prove to be undesirable in any reasonably liberal world economy. I refer more especially to what he said about sugar production. I have been called upon several times recently to express opinions in regard to the correct policy for agricultural prices in western Germany. The question of the price of sugar-beet in relation to the prices of other products is one of the difficult issues in that country. If western German prices are to be brought into parity with the prices of

products on the world market, the principal changes that would have to be made in the present level of German agricultural prices would be a rise in the price of grains and a fall in the price of sugar-beet. I have devoted a fair amount of thought to the question: if we accept the view that it would be justifiable to raise the price of grain in Germany and bring it into parity with the world market price, is there any argument for not following the same course in regard to sugar and lowering the price of sugar-beet to bring it into conformity with the import price of sugar? I have not been able to convince myself that there is a valid argument for not doing so. It may be that the existence of unbalanced international accounts, which affect every European country, and the persistence of the dollar problem, weakens the traditional argument for bringing internal prices into line with external prices. But I cannot see that that condition justifies a differential assistance to sugar-beet. It may justify the maintenance of higher prices all round in Germany than outside Germany, but I do not see that it justifies the maintenance of a higher price for sugar-beet if you are at the same time content with a price for grain which approximates to the external price. I do not know if anybody can suggest an argument bearing on this point which I have overlooked. That is my comment. My question has regard to one point which I do not think Dr. Thibodeaux mentioned. It struck me as he was speaking that one of the changes that are necessary to facilitate the establishment of a viable European economy is the development of non-dollar sources of supply for those foods for which European dependence upon the Western Hemisphere is at present so great. Does not the successful attainment of the European programme demand an effort to develop production in the other overseas countries? I think that if you made a comparison of world production index-numbers before and after the First World War with the situation before and after the Second World War, you would find that whereas after the First World War the other overseas exporting countries had greatly increased their production and exports, in the case of the Second World War there has been a most striking increase in the production and exports of North America, but very little increase in production and export anywhere else. What are the reasons for this contrast I do not know, but it is a fact which seems to merit careful attention.

B. H. THIBODEAUX

If I may, I should like to make a suggestion about the discussion. It would be interesting to extend our discussion beyond the E.C.A.

as such and to cover also its counterpart organization on the European side, that is, the O.E.E.C. We have here several persons who are directly connected with the food and agricultural work of the O.E.E.C. If there are questions relating to that organization, as I hope there will be, I should like to refer them to Mr. Philip Barter, Agricultural Counsellor of the O.E.E.C. Secretariat; Professor Bandini, Vice-Chairman of the O.E.E.C. Food and Agriculture Committee; and Mr. E. H. Lloyd, Chairman of one of the key sub-committees of the O.E.E.C. Food and Agriculture Committee.

In reference to Mr. Nash's comment, I, too, have been puzzled by the seemingly irrational price structures that have been created by official edict or otherwise—seemingly irrational not only when we examine the prices of the same commodity in different countries but also when we consider the price relationships for various commodities in the same country. I am not aware that the price situation as described for Germany by Mr. Nash is deliberately intended to cause an expansion of sugar-beets in relation to wheat, but I agree with him that the effect would be precisely that if German farmers were responsive to prices and price relationships. I agree with the general tenor of his comment.

In answer to his question, it is to be hoped and expected that production will recover in pre-war sources that are still prostrate from war and the results of war destruction. Likewise, there is a great deal of emphasis at present in the development of the overseas territories of the countries participating in the European Recovery Programme. The E.C.A. policy is to support such development to the extent that production can take place on an economic basis and can stand the breath of competition under conditions of reasonably free trade. We hope, however, that the main objective in overseas development will not be a blind effort to save dollars and produce commodities already in over-abundant world supply, but rather to concentrate on the production of commodities in short world supply. Moreover, in view of the dollar shortage, it is hoped that emphasis will be put on the production of dollar-earning commodities.

J. F. BOOTH

As one representing an exporting country I have followed Dr. Thibodeaux's paper with very great interest and appreciation. I would like to take advantage of this opportunity in his presence to express appreciation to him and to the United States Government, for the very generous consideration they have given to my country, Canada,

in connexion with purchases of food supplies and other agricultural materials for Europe during the past year or so under the E.C.A. programme. This consideration, amounting as I recall to something like three-quarters of a billion dollars, has done a great deal to tide over our very difficult triangular balance of payments with the United States and the United Kingdom, and of course has helped us to contribute our surplus food to the needs of Europe. We are a little bit concerned at the moment about one aspect of the recovery programme, namely, the provision in the Act which states that where there is a surplus of a certain product in the United States no allocation of funds may be made to purchase products from other countries. This is a matter of some concern to us at the moment, but it does not detract from our appreciation of the assistance that has been given.

I would like to comment on a point made by Dr. Thibodeaux. There is concern in Canada, as I am sure there is among the farmers of the United States, of Australia, of New Zealand, and possibly other exporting countries, that the self-sufficiency programme in Europe may lead to a reduction of international trade, and have a serious effect on the economics of exporting countries. Now what I am really asking Dr. Thibodeaux for at the moment is some reassurance on that point. As I interpret the figures and picture he presented, the plan contemplates only an increase of about 4 per cent. of overall acreage, something like 5 per cent. in grains, and an increase of total productivity due to greater efficiency of around 10 per cent. That would not seem to indicate, considering the increase in population and the higher standard of living which we hope will be obtained, a serious effect on the exports of the overseas food-producing countries. The great question, if I interpret his remarks correctly, concerns the ability of European countries to increase their own production, industrial production in the main, sufficiently to enable them to buy the products from the overseas countries. I wonder if Dr. Thibodeaux would care to expand at all on this point or give us some assurance as to whether or not the interpretation that I have placed on his remarks is correct?

B. H. THIBODEAUX

In supplementation of Dr. Booth's first point, I might explain briefly for the general information of the group that E.C.A. funds are not restricted to the purchase of American commodities only, but are used for 'off-shore' procurement as well. There is a stipulation in the basic legislation, however, that E.C.A. funds will not be

used to finance the off-shore procurement of commodities officially declared to be in surplus in the United States except under very special circumstances. This stipulation is generally accepted as fair, in that American farmers themselves have helped to furnish the tax revenues that support the E.C.A. Programme.

We recognize and appreciate the situation in other exporting countries in which there are surpluses of the same commodities as in the United States. It seems to me, however, that agricultural surpluses, in the sense in which we are discussing them, constitute a problem that transcends the E.C.A. as such and must be dealt with through other means, such as the Wheat Agreement or other appropriate commodity or more general arrangements.

And now in respect to Dr. Booth's second point, relating to the 'self-sufficiency' aspects of the agricultural production programme of the countries participating in the European Recovery Programme. I should like to emphasize again, as I did earlier this morning and on other occasions, that the E.C.A. is not supporting a self-sufficiency or uneconomic autarchic programme in agricultural production in Europe; rather, E.C.A. facilities are being extended to support and promoted an all-out programme of agricultural recovery and improvement based upon enhanced production efficiency and the maximum economic utilization of agricultural resources. This objective encompasses the specific considerations of agricultural production adjustments and practices that we discussed earlier. I am pleased to say that this positive approach that I have described is also the one to which the O.E.E.C. subscribes.

Dr. Booth is correct in his understanding that the increases in European agricultural production contemplated at present will still leave western Europe in a food-deficit position and that food imports in 1952 will have to be as large as, or even larger than, pre-war if the western European population is to have as high a level of food supplies *per capita* as was the case pre-war.

But the critical problem is, how will Europe pay for its needed food imports following the termination of E.C.A. aid? Here we get again to the problems of imbalance of trade and inconvertibility of currencies that we discussed earlier. So far as trade with the Western Hemisphere is concerned, Europe will have to expand her earnings of dollars by increased exports, by tourism, and by other means, or face a diminution in levels of consumption, in that supplies may not be available from other sources in the quantities needed. And here is the danger. The inability of Europe to earn sufficient foreign exchange to finance needed food imports may force the adoption of

self-sufficiency in European agricultural production in the same manner (to borrow a phrase from a report by F. F. Hill of Cornell) that unemployed industrial workers during depressions cultivate backyard gardens because of inability to purchase at the grocery store. It is to the interest of Europe's normal trading partners as well as of Europe itself that she should not be in that unfortunate predicament. The economic welfare of the world would be seriously impaired by a withering of international trade based upon comparative advantage and regional specialization in production. A successful outcome of the European Recovery Programme will go far in preventing such an unfortunate development. My belief in the success of that programme is the only assurance that I can give to Dr. Booth in answer to the fear that he voiced.

E. M. H. LLOYD

I would like to add my sincere tribute to the masterly way in which Dr. Thibodeaux has introduced this subject, and particularly to the extremely well-balanced and proportioned analysis which he has made of it. The main point that baffles agricultural economists in this field is, first of all, to reconcile national policies and national planning with a western European approach, and secondly, to integrate the western European picture with the world picture. This is, of course, closely related to the vexed question which we have been discussing for so long, namely, whether agriculture flourishes best under a régime of free market prices and *laissez-faire* and the orthodox doctrine of comparative costs, or whether and to what extent governments are justified in intervening with the free-play of market forces, by guaranteed prices, by price support measures, by subsidies, and by quotas and tariffs on imports. It seems to me that if one had somebody looking at this picture from an international point of view, he would notice that we all tend to defend the measures taken in our own countries to support and protect their own producers, and that we all criticize the measures taken by other countries on the ground that they are uneconomic interferences with the natural course of economic development. I would like to ask Dr. Thibodeaux if he could supplement his diagnosis of the situation in Europe, which is absolutely first-class, by a short picture of what he regards as probable developments and long-term targets of production in North America. One of the greatest difficulties in O.E.E.C. is to know what assumption to make about the long-term production goals and price-support policies in the United States. And what is likely to be United States tariff policy? Is there likely

to be a free market between Canada and the United States and between dollar countries and the rest of the world?

One other point I would like to put up to him, if he has time. Many people sometimes forget the overwhelming importance in Europe's present plight of the economic crisis in the Far East and in particular in south-east Asia. We sometimes forget that while Europe has been disastrously hit by the war, it is the countries occupied by Japan and neighbouring countries like India, whose economic problems in the sphere of food consumption and agriculture, are as acute, if not more acute, than in western Europe. The recovery of western Europe, paradoxical as it may seem, is intimately bound up with the recovery of production in that vast area. I remember some figures published by the U.S. Department of Agriculture pointing out that before the war south-east Asia was a net exporter of food-stuffs, largely oilseeds and rice, to the extent of about $4\frac{1}{2}$ million tons; and that since the war that area has been a net importer to the extent of about $6\frac{1}{2}$ million tons, mainly cereals. This represents a worsening of 11 million tons in the supply of vitally needed food-stuffs. Until that area recovers, and we in Britain are striving every muscle to meet the urgent exchange requirements of India, since India does not get Marshall Aid direct, the solution of these problems that have been referred to, particularly our need for more oilseeds, sugar, rice, and other tropical products will be to that extent delayed.

One last word in conclusion. I feel there is a distinct danger that with this generous aid that western Europe is receiving during this comparatively short period, we are accustoming ourselves to and allowing public opinion to expect a pattern of diet and a pattern of livestock production which we may not be able to afford when E.C.A. comes to an end. There is a danger that we may expand livestock production on the basis of imported feeding-stuffs to an extent which will be uneconomic when E.C.A. comes to an end. Those are some of the considerations which occurred to me in listening to Dr. Thibodeaux' invaluable analysis.

B. H. THIBODEAUX

I do not believe that Professor Lloyd has left any questions with me, except perhaps one, namely, the probable development of long-term production in North America. That is a rather current and weighty question. Perhaps some of the people in the audience who have recently come from the United States, and have been living with that problem there, would be in a better position to answer that particular question than I am. Can we call for a volunteer?

L. H. BEAN

Mr. Thibodeaux 'passed the buck' on with regard to Mr. Lloyd's question on American production trends in the near future to one of us who has more recently come over from the United States. One observation needs to be made in addition to what he has already said about our production problem. Our production, as he pointed out, will be determined in part by the course of production in Europe, and in other countries; it will be determined in part by weather and in part by technological developments. I should like to inject an additional factor, and that is the factor of politics. The Brannen Plan is featured for its proposal that prices for perishable products be allowed to follow the course determined by market conditions of supply and demand, instead of by fixed prices. The difference between market prices and 'parity' prices is to be given to producers in the form of a government payment, a 'production payment'. There is a good deal of interest in that proposal among the city population, because they see in it an opportunity to secure milk, meat, fruits, and vegetables at lower prices, as Dr. Stine indicated in his paper the other day. Now in that fact I believe lies part of the answer to what the course of production of export crops is likely to be, as it relates to the production of Europe, and the European demand for American farm products. Underlying the Brannen Plan is the thought that the adjustments in agricultural production which are bound to come in the near future may be brought about much more rationally and with less detriment to the American farmer if they are guided by means of production payments. The adjustments which seem to be envisaged are these: As we find ourselves required to move out of export products such as cotton and wheat in which, Dr. Stine pointed out, we were beginning to accumulate surpluses, it would be desirable to expand the acreages in grass and the production of livestock and livestock products. To consume that additional production it will be helpful to have the lower retail prices the Brannen Plan would make possible.

I should like to point out one additional fact with regard to the production of all products in the United States which has some bearing on the problem being discussed here this morning. President Truman recently announced that it is his aim to promote the expansion of the national production of the United States to a value of about \$300 billion in the near future, that is, in the next few years. The \$300 billion compares with a national income in 1948 of about \$225 billion. To the statisticians who have studied the long time

growth of production in the United States in the aggregate, that \$300 billion figure is directly in line with part-trends, and therefore, is not an unreasonable figure. However, for most of the people in the United States who are not trend-minded, \$300 billion seem a high objective. If we can avoid a business recession in the next four or five years, I am pretty sure that that \$300 billion figure can be attained. If attained, it would mean a large market for the products of Europe in the United States both for certain raw materials required for the \$300-billion production, and for some of the luxury products that we would like to import.

W. H. DANKERS

I am very glad to make just a brief comment on the point that has been raised by Mr. Lloyd and also by Dr. Thibodeaux. I have had the opportunity during the last three months to be with the Military Government in Bavaria, and it was stated, if I have followed the figures of Dr. Thibodeaux correctly, that the increase in live-stock output would be about the same as the increase in the numbers of livestock. We have had an opportunity to confer with many of the German research workers, and I believe that they agree with us that at least in the area of Bavaria—it is my understanding that it would also hold in a large part of western Europe—the output of livestock can be increased beyond an increase in numbers. Just a few illustrations. Egg production in Bavaria, probably somewhat under-reported, is only about 100 eggs per hen, and research people in poultry concur that that can be increased very materially. Therefore I would like to say in answer to Mr. Lloyd, that perhaps the emphasis could be on efficiency in production, rather than on the increase in numbers of livestock on these farms, and the result would probably be the same.

Milk production is another illustration.² This might not hold in all of the different areas of Europe, but in Bavaria milk production per cow is considerably below what the research people believe can be accomplished within a very short period of time. I think sometimes it is necessary to realize that some of these areas have slipped back during the War and post-war period before they actually began to recover. For example, in Bavaria in a recent survey, I think 19 per cent. of the dairy cattle were found to be infected with tuberculosis, and therefore the culling of some of the high-producing animals has been necessary.

I would like, too, to say briefly how much I concur very definitely on one other point that Dr. Thibodeaux stressed, namely, on the

need for giving farmers more technical advice and assistance. It would be ridiculous to say that in western Europe this has not been done in the past. However (again I am drawing my illustration from Bavaria and it is my understanding that what has been the case in Bavaria is typical of larger parts of western Europe and especially throughout Germany), the advisory system has been very closely tied to the agricultural schools. The work has been done pretty largely among students or former students of the agricultural schools, which is a very small percentage of the farmers. In seven *kreise* there have now been established what we call enlarged advisory services and it has been most gratifying to observe the tremendous interest on the part of the people to get more information; the masses, not only people who have previously gone to school. I attended one meeting where poultry diseases were discussed, and at the same meeting the preserving of home-grown fruits was introduced. It was no different from attending one of our meetings in the United States where people were most eager to get that kind of information. The only reason I speak of this is that the whole intention of that programme is to accomplish these aims that Dr. Thibodeaux talked about this morning.

I believe there is great need throughout western Europe to expand that type of agricultural education. In conclusion, I would like to ask a question. Does Dr. Thibodeaux believe that the aids he has discussed can be accomplished without a revival of trade between the agricultural areas of eastern Europe and the western section?

B. H. THIBODEAUX

In regard to one element in Mr. Danker's last point, a resumption of trade between eastern and western Europe is a normal and desirable development that the E.C.A. has encouraged as one of the important factors in the economic recovery of Europe generally.

Others in the audience who are recently from the United States may wish to comment further on Mr. Lloyd's question regarding American agricultural production plans, but it may be useful to interpose a few comments here.

American agricultural production was geared to high production objectives and attainments to meet the huge war and post-war needs of Europe and other parts of the world. Reduced efforts from the Far East were offset, at least in part, by greatly expanded exports from the Western Hemisphere. A large pre-war importer of fats, the United States expanded her production sufficiently to meet her own needs and to export huge quantities. Pre-war wheat exports from the United States amounted to an annual average of about 2 million tons

compared with approximately 15 million tons this past year. The overall volume of agricultural production was increased tremendously in response to price and income incentives and as a result of rapid technological improvements and a series of years of exceptionally favourable weather conditions.

What adjustments are now to be made in American agricultural production? The obvious question to that one is, adjustments to what? We have discussed the European agricultural production programme here, the factors that will condition its accomplishments, and the uncertainties that Europe faces in financing needed food imports following the termination of the E.C.A. programme. The outcome of these conditions in Europe will influence the kind of an agricultural production programme that we may have. The production prospects in other parts of the world are also a factor that condition the adjustments that may be desirable in American agricultural production, aside from those that may be forced by adverse weather conditions, following our series of good years. In short, the United States cannot well plan its production programme, so far as the export side is considered, except in relation to the external forces that condition the effective export demand for its products. In view of the present uncertainties as to those external forces, there can be only a limited basis at present to establish a long-term pattern for American agricultural production and exports.

JOHN LEWIS, *Shadingsfield, Emsworth, Hants*

I say something about agriculture with the greatest degree of temerity at these meetings, because, being just a sample of the raw material, you must realize what an ordeal it is for me to face a body of trained experts who know ever so much more about my farm and my farming than I can possibly hope to know myself. There were one or two quite side issues that occurred to me on the paper by Dr. Thibodeaux, and I would like to mention them because there might be an idea abroad of what British farming is doing, and that it is not perhaps doing all that it might.

I am quite well aware that Great Britain with a population of 50 million to feed, can never, in view of its resources, be of any great interest to the world situation through the possibility of having an exportable surplus. At no time we can see ahead shall we be in any other position than of requiring to get a very large percentage of our food from abroad. Now, the farmer may look at the world situation and listen to a lot that he is told, pep talks and so on, but he will always have regard mainly to what he can do with his own farm.

During the War we made tremendous efforts. Farms, such as the one that I myself had prior to the war, were simply cattle ranges. We had 1,100 acres, and not one acre was ploughed. It was all grass and very lightly grazed. To-day we have 500 acres under the plough, and at the same time our milk production has gone back only very very slightly.

I mention these data because I can only speak of my own farm, but all around similar processes have been going on. With the end of the War we are asked for still greater production. You must remember we were more or less fully extended, and, whatever we may wish to do, I do not see how we can so greatly increase the volume of agricultural products. That is quite obvious. You can follow the plough but you can only do it once, and we are now coming up against the situation where we have no more reserves of cultivable land. We can get an increase of production in certain respects. We can add to our poultry, and we can add to our pig population, but for that we must have more imports of coarse grain from abroad. It is one of the complaints which we make to our Government that they do not set aside enough currency to get us more. We like to eat pork and bacon, though you might not think it, and the reason we do not is because we are eating the food that the pigs would eat. We have had to increase our diet very largely by having potatoes and vegetables instead of those more delectable commodities that the rest of the world are able to eat. We are not complaining. We just put up with it, and, of course, we do not really mind.

My reason for intervening is that our Minister of Agriculture recently administered a very sharp rebuke to farmers, because the acreage under wheat in Great Britain had fallen to just under 2 million acres and he wants us to make it $2\frac{1}{2}$ million acres, and I thought that might perhaps convey rather a bad impression of what we are doing. But there is this to be considered, the traditional English way of farming is the mixed farm. Experts have told us it would be much better if the smaller farms were to concentrate on pigs, poultry, and market vegetables, and the raising of stock, and leave the grain-growing exclusively to the larger farms. But looking at it from a farming point of view, we have to remember that the repeated sowing of particular crops on one kind of soil does bring about diseases unless there is a proper rotation, the fertility of the soil will be lost and the yields will diminish. That, I am happy to say, is not the present position in England, because our corn yields this year are likely to be all round the highest ever per acre. It has been quite

a revelation to us as farmers of what we can do. I was brought up in the tradition that without animal husbandry you could not grow corn, and, when we got rid of our sheep and switched to producing corn with artificials, we were told that the end would soon be in sight. We heard the dreadful things about dust bowls and so on, and we thought that that was going to happen to us. Well, I cannot tell you why, but it has not happened so, and our yields continue to increase in spite of all the gloomy expectations.

There is another point which is illustrated best by one of our old proverbs, 'Do not carry all your eggs in one basket.' The British farmer will never wholly get rid of that idea.

So taking it all over you must think of us as trying with our limited mental capacities to do the best we can with the resources we have at our disposal.

H. C. H. GRAVES, *Vitamins Research Laboratory, London, England*

Dr. Thibodeaux has stressed the need, as part of the E.C.A. programme which must be fulfilled by 1952, for a substantial increase (under certain conditions) of agricultural produce in Europe, and he gave some details in aggregate form of the progress made to date.

He also stressed the need for an increase in 'dollar earning', as opposed to 'dollar saving', by recipients of E.C.A. aid.

Notwithstanding the demands made on our productive capacity by the effort to make good the capital ravages of war, Great Britain—sometimes thought to be 'sitting down on the job'—has made bigger strides towards both these objectives than has any other western European country—certainly any country of comparable size. Britain's ratio of exports to imports in 1948 compared with the like ratio in 1938, is 1.90 (i.e. 90 per cent. improvement).

The increase in agricultural production in Great Britain since pre-war days is also, in total, far higher than that of any other country, and has been achieved not only by increased acreage, but also by improved techniques, and as a result of the application of research results through the Agricultural Advisory Service and in other ways, in a manner unsurpassed anywhere in the world.

But now we come up against two difficulties:

(a) Dr. Thibodeaux himself referred to 'dollar saving' as less desirable than 'dollar earning', and our agricultural expansion is clearly in the former class.

(b) Our Australian, Canadian, and New Zealand friends—among others as we have already heard here—view the resultant 'distortion' of traditional world economy in this respect with understandable

apprehension. How can we break what is little short of a vicious circle? British exports to U.S.A. require the expenditure by each U.S. citizen of rather less (speaking from memory) than 1 per cent. of his income.

If this could be increased to 2 per cent. the resultant dollar earnings would largely—if not entirely—solve this problem, and enable us considerably to modify the ‘austerity’ of our dollar saving activities—with benefits not only to U.S.A. agricultural producers, but to agricultural producers in Europe as well. But when we look at the obstacles in our way, we are faced at once with the U.S. tariffs—I cannot believe that the American Automobile ‘Goliath’, for instance, needs protection against the British ‘David’, and I would, therefore, like to ask one simple question: Does Dr. Thibodeaux think that there is any possibility that the U.S.A.—which has already put the world in its debt by those two most unsordid acts between nations in human history (to quote Mr. Churchill) viz. lend-lease and Marshall aid, will ‘round off’ its contributions to world recovery by what is possibly the only method in which the Gordian knot can be cut—the unilateral removal, by the U.S.A., of as much of its tariff barriers as will bring about an import equilibrium at the 2 per cent. level (to which I have referred) instead of the present 1 per cent. level, for Britain, and *pro rata* for the rest of Europe?

K. SKOVGAARD

Dr. Thibodeaux emphasized in his paper quite rightly the necessity of an increased efficiency in agricultural production as an essential means of the recovery of the European economy. In my country, as in most west European countries, however, high efficiency in livestock production has for many years been conditioned by imports of feeds like grains and oilcakes containing proteins. After the war the overseas feed-imports mostly demand hard currencies, and as Dr. Thibodeaux advised us that east European grain-exports are very uncertain in the future, the result may be that the efficiency in the livestock production will become very adversely affected. The problem now arises if the overseas feed-imports will remain hard-currency imports. Before the war South America, and especially Argentina, contributed a substantial part of the European feed-imports, and the question is whether U.S.A. and other hard-currency countries are able to relieve South America of her agricultural exports or will she have to rely on the west-European markets to an increasing extent, when the high after-war demand is damping down?

B. H. THIBODEAUX

Professor Skovgaard's comments pose a question, among other things, as to what is meant by 'dollar zone' and 'hard currency'.

In brief, a hard currency, internationally, is simply one that is scarce, or about sufficient, in relation to the demand for it. In reference to the dollar sphere, I have loosely referred to the Western Hemisphere as the dollar zone. Actually, Latin-American countries may fall in or out of the dollar area, depending upon their individual balance-of-payment situations at different times.

Mr. Foulon, who is here from Argentina, is better qualified than I to comment on the trade relations of that country. The Argentine economy has a very important agricultural sector, and its agricultural exports are large. The Argentine imports coal, machinery, and many of the industrial items needed. Many of these industrial items come from Europe, and the Argentine exports large quantities of food and feed to Europe.

We are told, however, that Canadians prefer United States equipment because it is of good quality and is low-priced in relation to comparable equipment from other sources. I am not informed on this, but perhaps similar views are held in the Argentine. This poses the obvious challenge that European export products must be produced efficiently so as to be able to compete internationally in price as well as in quality. That is a major means by which needed food imports can be obtained in Europe.